

FINANCIAL TIMES



Airbus Industrie

A year for decisions

Changing values

The communist comeback





Weekend FT Safeguarding Africa's last frontier

World Business Newspaper

Europe joins US complaint on music piracy in Japan

The European Union Joined the US in complaining to the World Trade Organisation about Japan's failure to protect pre-1971 sound recordings from copyright piracy. Performers affected by unlicensed copying of pre-1971 recordings in Japan include pop groups such as the Beatles and Rolling Stones and solo artists such as Frank Sinatra and Elvis Presley. The US industry puts losses from piracy in Japan at some \$500m, while the European recording industry said it was losing sales of at least \$120m a

Mannesmann, the German engineering and telecommunications group, reported a 50 per cent rise in 1995 operating profits to DM900m (\$604m) but the improved figures were at the bottom end of expectations and analysts said the group would find it more difficult in a slower moving economy this year. Page 23; Lex. Page 22

Privatisation

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Service Comments

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German bond issue hit by Emu doubts: The German bond market was thrown into confusion by musually low bidding on a DM10hn (\$6.8bn) issue of five-year government paper, which reflected domestic investors' concern over European monetary union, Page 22

Wall Street sours: The US equity market shrugged off a lacklustre performance on the bond market with the Dow Jones Industrial Average soaring more than 80 points to about 5,596 within half an hour of the close. The technology-rich Nasdaq composite was on course to set a new record. World stocks, Page 32

Pharmacia & Upjohn, the newly-merged Swedish-American drugs group, said merger and restructuring costs had pushed net profits down from \$633m in 1994 to \$739m last year. Page 23

Stena Line of Sweden, the world's biggest ferry operator, said competition from Eurotunnel. the operator of the Channel tunnel, was partly to blame for a drop in its 1995 profits to SKr201m (\$29.7m) from SKr502m a year earlier. Page 26



Britons filed the largest number of complaints with the EU's first ombudsman Jacob Söderman (left) in the five months since he took up the office. Germans and Spanish numbered second and third respectively in the list of complainants, while secrecy and favouritism were the

Luxembourgers lodged fewest complaints. Page 2 Viag, the German energy and industrial group. reported operating profit for 1995 of DM2.1bn (\$1.45bn) and said it would increase its dividend by DM2 to DM12. Page 26

Konica, the Japanese film and camera maker, is cying up with US company Kodak to make new cameras based on a system which combines the advantages of conventional 35mm photography with the benefits of digital cameras. Page 4

Afftalla, Italy's national airline, unveiled a plan to restructure the troubled carrier and permit a L1,500bn (\$950m) capital increase. Page 3

Rewe, Germany's biggest food retailer, expects to lift turnover to more than DM50bn (\$34.4bn) this year after sales rose 5.3 per cent to DM48.4bn last

Den Danske Bank, Denmark's largest bank, announced a sharp increase in net profits to DKr3.63bn (\$645.4m) from DKr818m last year after gains on its securities portfolio and reduced loss provisions. Page 27

Sweden cuts lending rate: Sweden's central bank cut its key lending rate for the fourth time this year as statistics showed inflation fell to 2.0 per cent in January. Page 2

Rand steadies after 5-day fall: The steadying of the rand, after it fell to successive all-time lows against the dollar over the past five trading days, prompted calls for swift action to cut the South African budget deficit. Page 4

Bosnian president in hospital: Bosnia's 70-year-old President Alija Izetbegovic was taken to hospital in Sarajevo with suspected heart trouble.

Cricket World Cup: An unbeaten century from Greene Hick guided England to a 49-run win over the Netherlands in their cricket World Cup match : Peshawar, Pakistan. England scored 279-4 before

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FRIDAY FEBRUARY 23 1996

Greece, Turkey in feud over aid By Caroline Southey in Brussels and Michael Lindemann in Bonn

Fresh tensions erupted between Greece and Turkey yesterday as Ankara recalled its ambassador to Athens after Greece blocked agreement in the European Union on an aid package for Turkey.

The latest crisis comes weeks after an outbreak of hostilities between the two countries was narrowly averted over sovereignty rights in the Aegean. The incident, involving a dispute over two islets, led to threatened military action by the two countries and was defused after the inter-vention of Mr Richard Holbrooke, who has just retired as US assistant secretary of state.

Turkey said it was recalling its ambassador for consultations Fresh tensions erupt as Ankara recalls ambassador after Athens blocks EU deal

after "a series of hostile actions against Turkey's vital interests by Greece - using the islands cri-sis as an excuse - and by its moves aiming particularly to hurt Turkey-EU ties".

The announcement came hours after it emerged that Greece had decision on a five-year, Ecu375m (\$474.4m) aid package for Turkey which was due to be agreed by EU foreign ministers of a meeting in the second of the secon ing in Brussels on Monday.

The aid package was designed to help Turkey adjust to the impact of a customs union agree-

ment between the EU and Ankara which will give EU industrial goods duty free access to Turkey. Mr Costas Simitis, the Greek prime minister, speaking in Bonn after a meeting with Chancellor Helmut Rohl, warned that the "question of the islands has to be cleared op before further prog-

ress can be made". Mr Theodoros Pangalos, the Greek foreign minister, further underlined the Greek position by mainteining that the customs union had been "severely violated by Turkey. It is impossible that the EU will have friendly

Political boost for Yeltsin Moscow to scrap oil and gas export tariffs

relations with countries which attack members of the EU. Third countries must behave".

Mr Pangalos said it was the "first time this has happened. It is a very serious event and the EU will take a position on [the matter]". He said it would be "very difficult" for Greece to agree to the aid package "at this

Italy, which currently holds the EU presidency, confirmed that the aid package had been struck off Monday's agenda at the request of Greece, However, foreign ministers are still expected

to discuss the issue over lunch.
The Greek action provoked an angry response from some member states, notably France. However, other member states emphasised that although Greece was isolated in seeking to delay the decision, it was nevertheless not seeking to renegotiate the terms of the agreement.
Greek officials said blocking

the aid package was a "tactical move" and stressed that the new Greek government under Mr Simitis was anxious not to damage relations with its EU partners. In Ankara Ms Tansu Ciller, the

Turkish prime minister, asked its allies "to lead Greece to renounce the dangerous path it has taken". She added that Turkey, "even if it remains alone, has the power and determination necessary to counter Greece's hostile policy".

Fears over monetary union hit German bond issue

The German bond market was thrown into confusion yesterday by unusually low bidding on a DM10bn (\$6.8bn) issue of fiveyear government paper, which partly reflected domestic inves-tors' concern over European monetary union.

Because the issue matures in November 2000, some economists said the response showed private investors were nervous over different views being expressed on Emu's timing and probability. If monetary union starts on schedule in 1999, investors in the issue will be repaid in euros.

Politicians, notably Chancellor Helmut Kohl and Mr Theo Wai-gel, the finance minister, insist Emu must have a stable foundation and start on time. The Bundesbank, headed by Mr Hans Tietmeyer, stresses stability above all, suggesting delay would be better than Emu's later failure through economic weakness.

"Conflicting comments send a tremendously confusing signal to the client base," said Mr Robert Hammond, director of D Mark bond products at Barclays de Zoete Wedd in London. "So they don't buy five-year paper." He called the problems with the auction of the medium-term Bundesobligationen (Bobl) "a water-

Other economists said Emu worries were only one factor. "The negative reaction in the market is partly due to the way the finance ministry and the Bundesbank handled the auction," said Mr Andrew Bosomworth, bond economist at Merrill Lynch, the US investment bank. The average bid by German and foreign banks was 99.92 per cent of par, but the lowest accepted rate was an unusually low 99.01 per cent. Although the Bundesbank said there was only one low bid, the market responded badly to the fact that lt was accepted. "It's not a good reflection of Finanzplatz Deutschland (Germany as a financial centre]," Mr Bosomworth said.

The Bundesbank said the government found the average price acceptable and had accepted all Continued on Page 22

Bonds, Page 32

IMF to lend Russia \$10bn over three years By Chrystia Freeland in Moscow would be disbursed in monthly instalments, following the strict practice the IMF introduced in The International Monetary Fund last year's \$6bn loan to Russia. This schedule will give the fund substantial leverage over the Russian government, and Mr Camdessus warned that if a

and Robert Corzine in London

yesterday announced a \$10.2hn three-year loan for Russia, in a powerful endorsement of President Boris Yeltsin's economic

The loan, second in size only to the IMF's bail-out of Mexico last year, is an important financial and political boost for Mr Yeltsin, who faces a bitter battle with Communists in next June's presidential elections. mouncing the

Michel Camdessus, the IMF managing director, added a further flourish with the bullish prediction that Russia's gross domestic product would grow by between 22 per cent and 4 per cent annually over the next two years and would reach a robust yearly rate of 6 per cent after that

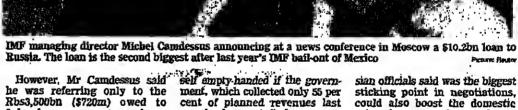
In exchange, the Kremlin has promised to scrap oil and gas export tariffs by July and to stick to a tight fiscal and monetary policy designed to bring inflation down to 1 per cent a month by the end of the year.

new, Communist administration chose to break with Mr Yeltsin's economic policies, the IMF would not hesitate to withdraw financial aid. The IMF chief also said

the programme would not permit "back-tracking" on privatisation, mounting calls for a partial return to state ownership. Some Russian observers worry

that Mr Yeltsin, who dismissed the most prominent reformers from his cabinet last month and has made a spate of high-spending promises, might deviate from the painful path of reforms before the elections But Mr Camdessus gave the

Russian leader his vote of confidence, saying that Mr Yeltsin's most high-profile promise - to pay off wage arrears - could be accommodated within the austere budget agreed with the IMF.



federal government workers, month, does not find a way to which accounts for less than a fifth of the national mountain of improve tax collection. Industry analysts said the liftwage arrears that has turned mil-lions of unpaid workers against Mr Yeltsin.

The president could find him-

sian officials said was the biggest sticking point in negotiations,

ing of the export tax on oil and gas should give a boost to Russia's big energy exporters. But the measure, which Ruscould also boost the domestic price of energy and some observers feared the Kremlin might delay replacing the export tariffs with an internal excise tax.

Russia's red barons may derail nickel privatisation. Page 3

France to cut nuclear arms in sweeping defence review

By Our Foreign Staff and Agencies

President Jacques Chirac yesterday announced the biggest shake-up in French defence policy for several decades, scrapping its land-based nuclear missiles, ceasing production of fissile

an all-professional army. In a live television interview outlining the reforms, he said the size of the armed forces would be cut from 500,000 servicemen to 350,000 and the number of regiments from 124 to 83 or 85. The move from conscription to an all-professional army would

nuclear material and moving to

In what appeared to be an attempt to regain the moral highground after French nuclear tests brought worldwide protest last year, Mr Chirac said ha had decided to close France's only factory producing plutonium and weapons-grade enriched uranium et Pierrelatte, near Lyons. He said the country had plentiful

stocks for its own weapons needs. Announcing a package of reforms which went wider and deeper than many had predicted, the French president said 18 ageing land-based nuclear missiles on the southern Plateau d'Albion would be scrapped.

France would rely on four missile-firing submarines, and aircraft as the main arms of its Thomson chief quit ahead of deal

Thomson-CSF, the defence electronics arm of Thomson, and the UK's General Electric Company were on the point of signing a worldwide joint venture to pool their sonar businesses when Mr Alain Gomez, the French defence group's president, resigned this week. Mr Gomez and Lord Weinstock, GEC's managing director, were also in advanced discussions about forming a joint holding company encompassing the sonar business, a venture for inture airborne radar and several other operations where they could combine their expertise. The rapid pace of these international talks is thought to have provoked hasty ouncements from the French government over the proposed sale of Thomson, and that Dassault and Aérospatiale, the two French aircraft makers, were to merge. Many senior figures in the French defence industry were away from Paris when the announcements were made. GEC and Thomson-CSF saw such ties as precursors to an overall joint venture pooling all of their defence electronics interests. Full Story, Page 22

The French president said only professional army would be able to ensure France's security in the long term, coupling nuclear deterrence with an improved capacity to project large forces overseas.
"If we want to have a modern

defence, we realise that can only happen with a professional army, And therefore I have decided to carry out a reform that will lead France to have a professional army within six years," he said. Recalling the problems Paris had in putting together a major fighting force for the 1991 Gulf War, he said: "France must have

the capacity to projet abroad in

rapid and organised conditions a significant force of about 50,000 to 60,000 men. Today it can only manage 10,000."

In a gesture to Germany France's main European ally, the French president said he had decided to dismantle the Hades nuclear missile, mothballed in 1991, but which worried Bonn because it could hit only German soil if fired from France.

Mr Chirac said the reform was essential because France no longer faced the danger of "invading hordes" but needed to project forces rapidly to meet diffuse threats to its interests around

Continued on Page 22

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置 CIN Ven IF AN EXPERIENCED PIPE MAKER DECIDES HIS **FUTURE** IN MEDIUM SHAG AND READY RUBBED WE'LL MATCH HIS ENTHUSIASM. CINVen / INDEPENDENT / VISION

THE FINANCIAL TIMES LIMITED 1996 No 32,916 Week No 8

LONDON - LEEPS - PARKS - FRANKFURT - STOCKROLLE - MADRID - NEW YORK - LOS ANGELES - TOKYO

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World Trade News

By Robert Graham in Rome

Alitalia, Italy's national airline, yesterday unveiled a four-point plan to restructure the tronbled carrier and permit a L1,500bn (\$950m) capital

The proposal is the final opportunity for Alitalia, which is 90 per cent owned by the Iri state holding company, to avoid bankruptcy. However, it relies heavily upon the co-operation of the nine unions represented in the company, which have thwarted all efforts over the past two years to overhaul Alitalia.

Yesterday, the management appeared to have deliberately dropped the confrontational approach towards unions which had involved pushing ahead with cost cutting and imposing more flexible and productive work

Management of Italy's national airline yesterday unveiled a four-point programme to restructure the troubled carrier

appointment yesterday as chief executive of Mr Domenico Cempella, a veteran Alitalia executive with extensive experience in the airline business as a

Since last autumn - wben Mr Roberto Schisano was summarily dismissed as chief executive for allegedly mishandling union negotiations - the role has been covered by Mr Renato

Riverso, the chairman. Yesterday, all the main airline unions welcomed the appointment of Mr Cempella, whose last job was chief executive of Rome Airports. This positive reaction immediately

least be made on restructuring. An Iri spokesman also voiced "modest optimism" that the unions would be more accommodating. They are due to meet the government on Monday, when more specific commitments are expec-

One of the first problems to resolve is the L28m secret pay increase for pilots negotiated last August by Mr

Alitalia has said frequently in recent weeks that an 18-month freeze on industrial action was a precondition for restructuring. Without it, the management say, the airline cannot

practices. Part of the reason was the raised hopes that progress could at raise fresh capital of L1.500bn on the open market. Instead, they will have to ask for direct assistance from the government which Brussels may

> The new plan envisages Iri providing at least L1,000hn. It has undertaken with the EU not to incur further debt. Thus, these funds, due during the first half of this year, will have to be found from Iri assets or through some accounting device that does not involve debt.

Unofficial estimates indicate Alitalia will lose L250bn in the first quarter of 1996. With debts of more than L3.500bn and little more than L500bn

and reintroduced in 1905

France's conscription system bas come under increasing

criticism in recent years for

inefficiency and inequality.
In the 1991 Gulf War, France

was only able to field a force

half the size of the UK contin-

gent even though it has an

army twice as big. In addition,

middle-class 18-year-olds have increasingly been able to escape the draft or do alterna-

tive service, often with French

The issue of abandoning con-

scription cuts across the politi-

cal spectrum, though broadly

the left favours retaining the draft while the right is ready to follow the Gaullist president

in scrapping it.
But Mr Francois Leotard,

who was defence minister in

the centre-right government of

Mr Edouard Balladur, has

urged that a reformed con-

script system be kept, while yesterday Mr Julien Dray, a

Socialist, said he could accept

a professional army provided it

Adopting a more neutral stance, Mr Baliadur called for a

"if this is juridically possible".

allowed unions in it.

left in capital, the new plan has to be put in operation quickly.

The plan centres on solving problem of excess staff in a non-traumatic way":

 reassessing route structures; · speeding up the forging of new alli-

 establishing a new dialogue with the unions. Yesterday Mr Riverso, who returns

to being merely the chairman, refused to give details on the likely joo cuts or the extent to which routes would be

However, he said: "Alitalia is not competitive and we know this full well Now it's time not just to produce plans but to implement them. There are many things to do, some in the next two months, others over the next

Introduced during the French Revolution, abandoned for almost all the 19th century

The debate over reforming

(\$20,500) a year. This could be financed, he claimed, by broadening the tax base and eliminating all tax privileges in the German income tax system. The present system had reached the end of its natural life, said

due in the autumn of 1998 so that these could take effect in

which represent German taxpayers and tax gatherers.

reform," Mr Karl Heinz Däke, president of the federation of taxpayers, said yesterday. Mr Paul Courth, head of th tax officials' trade union, said that eliminating tax breaks

The Bonn finance ministry

resistance it would generate.

were not tax deductible and the construction industry would suffer if tax breaks for ended. However, the government bas promised to attack tax

which was announced last month Mr Uldall did not completely

grows for reform of German

Germany's complex and inequitable income tax system moved np a gear yesterday, a senior parliamentarian from Chancellor Helmut Kohl's Christian Democratic Union put forward plans to eliminate tax breaks and sharply reduce

Mr Gunnar Uldall, newly appointed economic policy spokesman for the CDU Christian Social Union group in the Bundestag (lower house), proposed cutting the top income tax rate from 53 per cent to 28 per cent, and instituting lower tax rates of 8 per cent and 18 per cent for incomes below DM30,000

Mr Uldall.

would be a "huge step to simplifying the system and ridding Germany of its tax

The minister pointed out that charities would object if the donations they received huilding apartments were

step to reform.

Pressure

the top tax rate.

He called on the government to agree clear plans for a radical reform of income and corporation taxes before the next German general election

Mr Uldall's ideas were welcomed by organisations

"The time is ripe for such a

chaos".

was more cautious. Only two weeks ago, Mr Theo Waigel, the finance minister, ruled out radical change in the near fnture, citing the massive

breaks and reduce income and corporation tax rates from 1998 as part of its 50-point programme to boost growth and jobs in Germany.

rule out tax breaks in a future income tax aystem. But be insisted that all concessions should be scrapped as a first

This move would force a parliamentary vote on the introduction or reinstatement of any specific tax break. By contrast, attempts in the past to reform the German income tax system have been piecemeal affairs that have invariably resulted in greater

tax system By Peter Norman in Bonn

total insurance premiums worth Es76.3bn (\$500m) in January, an overall premium growth of 29.7 per cent on January 1995. However, the Portuguese Insurance Association (ASP) said yesterday that growth of 271 per cent for fixed-income investment products, which are marketed by insurance companies as well as banks in Portugal, accounted for most of the growth in the life sector. Traditional life premiums grew

No escape, page 20 Editorial Comment, page 21

state social security system.

by 22.1 per cent Life insurance was virtually non-existent in Portugal five years ago and has been growing rapidly as incomes and educational standards have improved. Confidence in the social security system, already low because of an ageing population; has been further undermined by tax incentives for companies and individuals who opt out.

FINANCIAL TIMES FRIDAY FEBRUARY 23 1996

Bosnian leader

Bosnia's President Alija Izetbegovic was yesterday roshed to hospital with suspected heart trouble, but aides said the

Mr Edhem Bicakcic, vice-president of the ruling Moslem

Party of Democratic Action (SDA), told state radio that the

president was tired after ruling the country during four years of war and the protracted negotiations which finally resulted

Observers said there was no clear heir to Mr Izetbegovic.

who remains the undisputed leader of the Moslem community

The prospect of a political vacuum among Bosnia's Mosieus

gaining political ground. Western observers in Sarajevo said they were concerned by the increased prominence of the most

notorious Bosnian Serb leaders - Mr Radovan Karadzic and General Ratko Mladic, both indicted war criminals. Admiral

Leighton Smith, the Nato commander, said yesterday be

would wait for another 48 hours before recommending that economic sanctions against the Bosnian Serbs be lifted. The delay would give him more time to assess the Serbs'

compliance with their promise to resume co-operation with

Portugal's life business soars

Life insurance business in Portugal climbed 129 per cent in January compared with the same month last year, reflecting higher incomes, tax incentives and a lack of confidence in the

Figures from companies representing almost 90 per cent of the sector showed life insurance accounting for 31.2 per cent of

opened up as hardliners in the Serh camp appeared to be

in hospital

70-year-old leader's life was not in jeopardy.

in the Dayton peace agreement last November.

backed by leading intellectuals and the army.

Brussels to probe Roche grants

The European Commission is to investigate Austrian government grants worth Sch378m (\$37m) to Roche. Switzerland's biggest pharmaceuticals company, to help build a manufacturing plant. The Commission said vesterday that the Austrian government had not demonstrated that the aid

Roche said it had expected the decision because the grantshad been negotiated before Austria's entry into the EU. But it: added: "There will be no changes in operations there."

The grant aid was in two parts: Sch300m for research and development and the balance for environmental protection. It related to a project to create an obesity drug named Orlistat. Roche had in 1992 signed a deal with an Austrian company, Chemie Linz, which would manage the project. Roche would pay for the project and make further payments to Chemie Linz, Roche had sales last year sales of SFr14.7bn (£7.9bn) and made a net profit of SFr1.91bn in the first six months. At the end of the first half of the year, Roche had a cash pile of about

Greek strike over pay policy

Several hundred thousand Greek workers yesterday staged a 24-hour strike to protest against the Socialist government's decision to hold pay increases below this year's projected average inflation rate of 6 per cent.

Public sector workers, who have been offered a basic increase of 3.75 per cent this year, led the walk-out. State banks and public utilities closed, public transport in Athens and Thessaloniki was halted and flights by Olympic Airways the state carrier, were delayed for several hours. Crews on Greek island ferries, which are privately owned,

staged a four-hour stoppage. Greece's trade unions are demanding a 10 per cent increase this year, together with the introduction of a 35-hour working

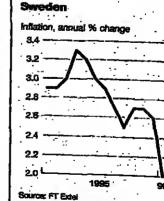
week, down from 40 hours. The Confederation of Greek Industry is opposed to a reduction in working hours, claiming that it would wipe out recent productivity gains.

Berlin talks on rising city deficit Berlin's governing Christian Democrat (CDU) and Social

Democrat (SPD) coalition will hold a special session next week on a report showing the city's budget deficit will scar to DM31.8bn (\$21.6bn) by the end of the current legislative period in the year 2000, nearly DM9bn more than previous estimates. Ms Annette Fugmann-Heesing, appointed head of finance in January, said the city's finances were in disarray and measures would have to be taken to scrutinise every public investment project, the number of public sector employees and public expenditure. Her predecessor from the CDU, Mr Elmar Pieroth, had

calculated that the city's budget deficit this year would amount to DM9.1bn, with revenues amounting to DM33.5bn and expenditure totalling DM42.6bn. However, Ms Fugmann-Heesing showed that expenditure this year would rise to DM44.6bn and warned that an earlier decision to introduce savings of DM23bn over the legislative period would have to be increased to DM30bn. Judy Dempsey, Berlin ECONOMIC WATCH

Fourth cut in Swedish rates



Sweden's central bank yesterday cut its key lending. rate for the fourth time this year as statistics showed inflation fell to 2.0 per cent in January. The Riksbank cut the repurchase rate to 8.05 per cent from 8.30 per cent, only a week after its last cut. The repo rate has fallen from a level of 8.91 per cent in early January, when the Riksbank reversed a trend of tightening monetary policy in place since August 1994. Inflation figures published yesterday, showing a fall in the year-on-year rate to 2.0

per cent in January from 2.6 per cent in December, underlined the bank's judgment that inflationary pressures on its 3 per cent cailing have subsided A reduction in value added tax on food in January helped hold down consumer price rises in that month to 0.1 per cent,

compared with a rise of 0.7 per cent in December.

The chief worry for the Swedish authorities now is signs that economic growth will slow significantly this year after only two years of modest recovery from the 1991-93 recession, threatening government efforts to combat 12 per cent unemployment. Hugh Carnegy, Stockholm ■ EU industrial production rose 3 per cent in 1995, after

growing 4.9 per cent in 1994. Swedish growth was the highest at 10.5 per cent, Germany's the lowest at 0.5 per cent. ■ Spanish industrial production fell 4.8 per cent year-on-year in December after rising 1.2 per cent in November.

Minister admits 'peace dividend' from ending of Cold War could be small

French may save little on force cuts

By David Buchan in Paris

A French parliamentary report yesterday put the net savings from scrapping military con-scription and balving the size of France's armed forces at a modest FFr6bn (2770m) a year, because of the need to pay pro-fessional soldiers more.

The report by Mr Patrick Balkany, a Gaullist deputy, came shortly before President Jacques Chirac was due to unveil on television his plans to restructure France's forces and arms industry. The Balkany report assumed a reduction in the country's total armed forces from 500,000 to 246,000, with the three services recruiting around 40,000 new

Other French deputies estimated that savings could be outweighed by the expense of recrulting professionals to replace conscripts (whose present 10-month service costs the state only FFr28,000), together with the cost of recapitalising state defence companies and of

providing compensation to towns for local base closures. A senior minister yesterday conceded the "peace dividend" would be relatively small

noted Anglophile and a com-

his knowledge of the British

So when be visits London

preaching the need for a Euro-

pean defence identity, be

seems able to disarm even

such a committed Eurosceptic

as Mr Michael Portillo, his

His new theme is the Euro-

peanisation of Nato: the need

to reform the Atlantic alliance

so that the Europeans can

assume much more responsi-

bility for crisis management, if

the Americans do not want to

become involved. He also

wants the same process of

reform to dismantle the old

Cold War structures of the alli-

ance, so that enlargement to

east and central Europe can go

ahead without infuriating the

On top of that, be wants the

European Union to gain a clear

defence identity, with the grad-

ual integration of the Western

European Union into the EU.

And he wants to build a thor-

oughly integrated European

defence industry, capable of

competing with the US in

It is a radical agenda, and

one the British government, at

least, is likely to treat with

THE FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main. Germany. Telephone ++49
69 156 350, Fax ++49 69 596 4431. Reprejented in Frankfurt by J. Walter Brand,
Wilhelm J. Brüssel, Colin A. Rennard as
Geschäftsführer und in London by David
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Number One Southwark Bridge. London
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GERMANY:

GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International GmbH. Admiral-Rosendahi-Strasse 3a. 63263 Neu-Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert. do The Financial Times Limited, Number One Sorthwark Bridge, London SEI 9HL.

FRANCE:
Publishing Director P Maraviglia, 42 Rue
La Bottie, 75008 PARIS. Telephone (01)
5376 8254, Fax (01) 5376 8253. Printer:
S.A. Nord Eclair, 15/21 Rue de Caire,
F-59100 Roubaix Cedex I. Editor: Richard
Lambert. ISSN 1148-2753. Commission
Paritaire No 67808IL

Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvallstidningen Expressen, PO Box 6007, \$-550 06, Jönköping.

C The Financial Times Limited 1990

Editor: Richard Lambert To The Financial Times Limited, Number Richard

drwark Bridge, London SEI 9HL.

global markets.

THE FINANCIAL TIMES

British counterpart.



Closing ranks: big cuts in France's military machine are planned

the Cold War. He confirmed that the government would recapitalise the loss-making Giat armour and tank manufacturer and the Snecma aero-engine maker, and that Introducing an alternative civilian service would negate above the FFr200bn level.

German defence minister is recruiting support for

After talks this week with

have had very long discussions

on Europe," he said. "I think

be is moving towards the cen-

They may not agree on the

fine detail of new defence

structures, he admits, but they

agree on the basic philosophy.

two historical developments

are happening simultaneously,

and they are entirely compati-

ble: "The Americans want to

be relieved in Europe, and the

Europeans want to have a

"Our main philosophy has

always been - and bere Great

Britain in the past had a differ-

ent view - that the only way to

keep the Americans in Europe

is to do more for the European

defence identity. When we said

that first, in the 1980s, and

started the [Franco-German]

Eurocorps, the British said:

'No, you are driving the

Today, he believes the Brit-

ish have accepted his view.

driven not least by clear sig-

nals from Washington that the

US also wants a stronger Euro-

pean defence identity. "This

philosopby is now shared."

However, putting it into prac-

tice, be admits, is going to be

His top priority is Nato

reform. "[We need] to create a

new Nato that is ready to do

the jobs of the future, which

are not just collective defence.

Americans out of Europe'.

stronger identity," be says.

Mr Rühe's argument is that

r Volker Rühe, Ger- considerable caution. Yet Mr members, and to prepare struc-

many's combative Rühe is convinced that even tures for the Europeanisation

reduced US role in alliance, writes Ouentin Peel

defence minister, is a London is open to persuasion.

mitted Atlanticist. He loves to Mr Portillo, be emerged beam-

some of the savings in replacing conscription. But the finance ministry expressed its intention to keep

the 1996 budget defence to last

year's FFr185bn, and in subse-

quent years it should not rise

of Nato, wherever that is nec-

In effect, he wants to have

being all-European. At the

moment most commands are

is the levels of headquarters, to

give the necessary flexibility so

that they can be led by Euro-

peans only. The Nato struc-

tures now are mirroring very

much the past. A lot of the

Nato headquarters still mirror

the Cold War, and the fixed

situation between east and

west. We are thinking about

radical change. We need to

make the Europeans able to

deal with a crisis situation that

has to be dealt with by Euro-

He cites the present example

of the Nato peacekeeping force

in Bosnia as what may become

an increasingly rare example

Americans may not take such

a decision," he says. "It was a

very courageous decision of

[President Bill] Clinton to go to

will of his population."

Yugoslavia. It was against the

The Nato structures be sees

as models for the future are

the British-commanded Allied

Rapid Reaction Corps, and the

As for Nato enlargement, be

believes a Europeanised alli-

ance should not be regarded as

bostile by future Russian lead-

ers. "It is not the old Nato that

is expanding," he says. "It is a new Nato that is opening."

Nato enlargement should go

of US direct participation in

"In the next crisis, the

peans alone

Europe.

"What we are talking about

beld by US officers.

essary.

Mindful of France's commit-

ment to fiscal discipline in order to qualify for European monetary union, the ministry wants to spread the cost of force structure changes beyond Rühe's mission to Europeanise Nato



Volke Rühe: "The Americans want to be relieved in Europe."

ment of the EU, although not necessarily simultaneously. He admits that the actual process of joining the EU is likely to be more difficult for the countries of central and eastern Europe.

than Nato enlargement.

do not need a modern tank, be says. "You do need a modern agriculture to join the EU." Parallel to his vision of the Europeanisation of Nato, he wants to see a stronger defence identity in the EU. That is

undoubtedly where he would part company from Mr Portillo. He wants to begin the process now of preparing for a full merger of the EU and WEU. But, in the first place, that would simply mean seeking EU endorsement for WEU

"We bave said that in defence matters, we need a coalition of the willing," he says. He calls the German idea the "solidarity clause". "Nobody can be told by anybody else to send his soldiers When you go into Nato, you

somewhere. But if the WEU members go for a mission, we would still ask the non-WEU members of the EU to give their political support." He also wants to see the EU defence ministers holding regu-

lar meetings, like all their other ministerial counterparts. On that he believes the French will back him. But he admits he is not so sure of Mr Portillo. "I think we can agree on pragmatic steps, but the Britisb so far are not ready to look into the future, where the EU

for the opening of Nato for new band-in-band with enlargeand WEU will be merged." take troubles to El

By Caroline Southey in Brussels

difficult.

be says.

Secrecy and favouritism top the list of problems brought by European Union citizens to Mr Jacob Söderman during his first five months as the EU's first omhndsman. More than 400 complaints have landed on his desk in Strasbourg. The largest number have come from Britons, followed by Germans and Spanish. Luxembourgers have lodged fewest. The post of ombidsman,

established under the Maas-

tricht treaty, was designed for

an independent arbitrator and

mediator on complaints from Europe's 372m citizens.

"Refusal to give access to documents" is one of the more common themes rnnning through the letters posted to

Although the process of taking up complaints is lengthy -the institution against which a complaint has been made is

A member of parliament has month - the ombudsman has accused Mr Franz Fischler, the already scored some succe agriculture commissioner, of Mr Söderman says that in denying access to a study on four cases the Commission has the impact of growth promoter responded to initial letters of complaint by righting the wrong, while the Council bas responded positively once. said. "The main point is that given the rights be is seeking.

This is beginning to bappen. most issues brought to him, Many have been referred to a national ombudsman because

national authorities were involved; others have already heen the subject of a court "The main problem is that

people don't know what my

mandate is. I can only deal with problems related to Com-munity [EU] institutions, not national ones," he said. Mr Söderman said he was receiving more "admissible

cases", which was lowering his initial 80 per cent refusal But he was not surprised the figure was so high, "There has not been much publicity in

additives in animal foodstuffs. the ombudsman. Accusations Mr Söderman is also pursuof secrecy are made against all ing a complaint that trainees three of the EU's biggest insti-tutions – the Council of Minisare selected by EU institutions on the basis of their "connecters, the Commission and the tions" within the organisations rather than according to parliament. qualifications and aptitudes. One complainant accused Mr

Christos Papoutsis, the energy commissioner, of wrongfully invoking a secrecy clause in the Eurainm treaty to refuse given three months to respond information about nuclear and the complainant a further stores and depleted uranium.

"The institutions are showing a very favourable attitude to the work we are doing," he the complainant should he The ombudsman turns away

member states about my joh."

... Airlines may have breached **Brussels** terms for state aid

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By Emma Tucker in Brussels

Speculation is mounting io Brussels that some of the stateowned airlines rescued from bankruptcy in 1994 are heading for further trouble, just weeks before progress reports on their health are due to be delivered to the European Commission.

Preliminary details suggest that Air France, Olympic Airways and TAP Air Portugal have had mixed successes in meeting the terms of the rescue packages on which approval of the aid was

Doubts have also surfaced about the recent behaviour of

Assessment of the reports -most of which are due next month and in April - falls to Mr Neil Kinnock, the transport commissioner, who will make a speech in London today pledging that he will be vigi lant in ensuring that commercial disciplines are followed.

"If there are any who still believe that an airline can somehow be insulated from the competitive and commercial disciplines, they are deluding themselves," he says.

Mr Klnnock recently approved a controversial Pta87bn (\$700m) capital injection for Iberia, the Spanish state-owned airline. This was whittled down from an initial request for Ptal30bn and the airline was forced to sell off

Nooetheless, the agreement provoked criticism and the Commission is keen to show that it is taking a tough line with earlier recipients of state

Olympic, due to receive the second tranche of a Dr54bn (\$223.3m) payment from the Greek government in April, raises the most serious doubts. According to the Commission, the rescue plan - which contained 21 conditions - is on course for the time being. However, Brussels is worried about interference from the Greek government.

"The government seems to meddle a lot in the manage-ment," said an industry official. "This is a problem, because it could stop the airline from becoming viable."

When the airline's board was

recently renewed, the Greek government made the appoint-

In addition, the Commission believes it may have detected further state aids that were not declared at the time the rescue package was approved.

Air France, the most notorious recipient of state aid in 1994, is waiting for a decision on the third and final payment of a FFr20bn (\$4bn) hand-

The decision as to whether the company has lived up to the conditions will be taken by Mr Kinnock in June following asaessment by independent consultants.

According to officials, the Air France rescue plan was on course last year, "but only

Luck, in particular the sharp drop in the price of fuel, played an important part in ensuring that the airline met its objec-

Industry sources are not convinced that the airline will

receive the final payment. "There are atroog doubts about whether the company has restructured enough," said

an industry executive.

Meanwhile, the Commission has received a complaint from TAT, the French subsidiary of British Airways, that the modern West Terminal of Paris's Orly airport is being reserved for Air France whila construction on a new terminal is

carried out. One of the conditions of the rescue package was that other airlines should not be disadvantaged during construction

at the airport.

The Commission also wants to check that Air France is not abusing its position to become a price leader. The state aid was granted on condition that the company did not undercut other air fares, but on certain routes fares have been offered that are significantly lower than others.

TAP, the Portuguese national airline that received Es180bn (\$1.2bn) in 1994, is less contentious and appears to be on course to meet the Commis-

sion's conditions. Last, Brussels is investigating the sale of Alitalia's majority stake in the Rome air.

ports company. It is worried that the sales price was inflated and therefore constituted a hidden state

Bremer Vulkan suggests plan to save yards



Bremer Vulkan, Germany's biggest shipbuilder, which this week applied for protection from its creditors, may hive off several divisions and retain only its core shipbuilding business, Mr Hero Brahms, head of the company's supervisory board, said yesterday.

Mr Brahms, a former board member of the Treuhand privatisatioo agency, which sold two east German shipyards to Bremer Vulkan in 1992, told German radio the management would try to keep its five shipyards, which employ about 23,000 people. But the machine construction division - which accounted for 16 per cent of the group's DM6bn (\$4bn) turnover in 1994 - would "have to go its own way", he said.

Mr Brahms was referring specifically to Dorries Scharmann, which is expected to report an annual loss of more than DM200m, as well as the group's two non-shipbuilding subsidiaries in east Germany -Dieselmotoren and Neptun Industrie, both in Rostock.

Mr Brahms said he would try to win backing from the fed-

eral and state authorities to day said it would be interested keep all the shipyards together. But be may face oppositioo from the Mecklenburg-Vorpommern government because of the way in which Bremer Vulkan diverted DM600m of DM850m earmarked as investment for the east German state's shipyards into the

group's other operations. The German government yesterdey insisted it was not prepared to grant fresh loans to Bremer Vulkan. The group expects losses of DM1ho for 1995 in addition to outstanding bank loans of more than DM1.4bn. It also requires DM2.2bo this year to pay its bills, provide working capital and meet investment commitments to its east German shipyards.

Mr Gunter Rexrodt, Germaoy's economics minister and an advocate of reducing state subsidies, told German radio: "Anyone who thinks he can restore the company to health with fresh money from Bonn is mistaken.

But the city-state of Bremen. anxious to curb unemployment in taking e stake in STN Atlas Elektronik, one of the few prof itable divisions of Bremer

According to Bremen Radio, STN obtained a DM75m cash injection from its creditors and expected a further DM200m by

the end of this week. Commerzbank, Bremer Vulkan's banker, yesterday confirmed it had agreed in princi-ple to the loans, "but we have not yet disbursed them. We are waiting for security", an offi-cial said. He added that these loans might not require permission from the European Commission, which in recent weeks has been meticulously scrutinising any state-backed credits to Bremer Vulkan.

The Commission yesterday said it had approved an extentee scheme for the shipbuilding sector in the eastern states.

Bremer Vulkan, which owns two shipyards in Mecklenburg Vorpommern, will be eligible for funds under the scheme but the Commission warned that it would require detailed infor-

German yards could look to Poland for way forward

By Christopher Bobinski in Warsaw

The fate of Bremer Vulkan, boled by high German labour costs desplte large-scale subsidies, contrasts with a revival in shipbuilding just across the border in Poland, where lower wages and tough restructuring have ensured survival without subsidies for shipyards such as Szczecin and

If Vulkan's troubles lead to closures of capacity, competitive pressure on the Polish shipyards would

the Polish yards to date have been at the expense of Korean and Japanese shipyards.

However, the Szczecin shipyard the star performer among Polish yards - has been a direct rival for somo orders with yards such as Volkswert Straisund, the east German yard Bremer Vulkan boogbt after the fall of the Berlin Wall. Szczecin has found a niche over

the past three years building con-tainer vessels for shipowners as far apart as Germany, Chile and Sonth be eased, but most contracts woo by Africa. But Poland's shipbnilders,

Szczecin included, are currently struggling with an unexpected diffi-culty: losses arising from strong appreciation of the zloty are eroding the profitability of dollar-denomi-

nated export sales. Szczecin originally expected to more than double its oet profit last year to \$25m from 1994's \$11.5m. But the strength of the zloty slashed net profit to only \$500,000 and pushed Gdynia, further along the coast, into a \$3.0m loss.

Szczecin has a \$1.6bu order book for 59 vessels and has long sought taking on the Gdansk shipyard -

to build a Japanese-style "industrial group", linking it with the Gdynia yard and key industrial suppliers. It wants to join forces with the Czestochowa steelworks and the Cegielski engineering works, which provide

ships' engines, More cootroversially, Szczecin management wants to transfer the skills which cut delivery times by half at Szczecin to improving efficiency at Gdynia, which is Poland's largest and most modern yard. But both shipyards are wary of

yeard where past management errors have cootributed to debts of \$160m. Gdansk expects to make a profit of only \$500,000 on the 19 ships worth \$700m on its books. Gdansk has not gone through the painful restructuring which raised productivity and quality in the

the hirthplace of Solidarity, and a

other Polish yards. Mr Richard Goluch, a senior manager at the yard, estimates that cur-rency factors cost the yard around 100m zlotys (\$40m) and helped throw it into overall net loss of

around \$35m. In an attempt to streogthen the industry, the govern-meet is preparing a consolidation plan for consultation by the middle of the year. A final decisioo on the plan will only be taken after consultation with Polisb banks soch as Bank Handlowy (BH), whose exposure to the Gdansk shipyard alone amounts to around \$80m.

The BH and the Szczecin-based Pomorski Bank Kredytowy (PBKS) are also shareholders in the Gdynia yard following a recent debt redoction agreement.

Chrystia Freeland reports on the crucial battle for Norilsk Nikel

Russia's red barons may derail sell-off

of Norilsk Nikel, the world's largest nickel producer, yesterday stepped up their fight against the Moscow bank which acquired a controlling stake in the enterprise in a controversial privatisation

scheme last autumn. Less than four months ahead of presidential elections which could put a Communist president in the Kremlin, battles between "red baroo" directors and nouveoux riches financiers have erupted at companies across the country.

But observers say the highprofile struggle over Norilsk Nikel, one of Russia's most valuable companies, could undermine last year's wave of privatisations Norilsk Nikel managers yes-

terday repeated their demand that the enterprise, which last year accounted for 20 per cent of the world's nickel produc-tion and 40 per cent of platinum ontput, revert to state

ownership. Oneximbank, one of Russia's leading banks, last December acquired control of 51 per cent of the voting shares in Norilsk Nikel through the controversial shares-for-loans privatisa tion programme. But Norilsk Nikel managers have challenged the legality of the scheme, and on Tuesday a Moscow civil court is due to announce its verdict on the

Like Soviet-era industrial bosses throughout the country, the Norllsk Nikel managers look to the state for financial support and still see themselves as local patriarchs who must provide food, housing, schools, roads and medical care as well as jobs for their 155,000 workers, who live in one of the most remote and physically hostile places on the

planet. "We think the state should own and manage a majority stake in Norilsk Nikel," said Mr Boris Kazakov, the vice-president of Norilsk Nikel. "The need to support the population in the extreme cooditions of the far north means we must remain part of the state."

The red barons and their

local allies depict Oneximbank

as a ruthless capitalist new-

comer interested only in selfish As Mr Boris Degtiarev, the pro-management head of the Norilsk Nikel trade union, explains: "We know Filatov (the current director). A new man might be a better menedzher [manager], as it has

The Soviet-era managers become fashionable to say, but a man must live for 30 years in the far north and feel the extreme conditions oo his own skin in order to be good for the ordinary Norilchanin [Norilsk employeel." Local government officials

> "How can the controlling stake in such an enterprise, whose revenues were \$3bn last year, be sold for \$170m? Whom does it beoefit?" asked Mr Alexander Zabeyvorota. head of the local government assem-

bly.
"It benefits a small group of people, who control three or

Stake for sale in aircraft repairs

Russia's Sverdlovsk region will hold a closed tender for a 25.5 per cent stake in one of Russta's biggest aircraft engine repair plants, a regional property fund official said yesterday, Reuter reports from Moscow.

The official said the tender for 33,140 shares in Uralsky Zavod Grazbdanskol Aviatsii would be held on February 29. The shares would be split into two lots, of 12.5 per cent and 13 per cent. The starting price for each share of Rs1,000 nominal would be Rs30,000. The rest of the company, based in the Urals city of Yekaterinburg, is privately held.

exactly like the primitive accumulation of capital which we were taught about in Marxist classes at school."

But Oneximbank officials, and other Muscovite financiers who are afraid the case could establish a dangerous legal challange to privatisation, argue that it is the red barons who have been pursuing personal enrichment at tha company's expense.

"The directors of Norilsk have been running the enterprise like their own financial cookie jar and they doo't want any adults to supervise," an Oneximbank spokesman said. The greater danger, the Oneximbank official warned,

was that if the Norilsk manag-

ers won their case no private

property in Russia would be

"If these red directors can lobby this thing back against a very politically well-connected. influential and powerful bank. then who can hold on to their property in Russia?" he said.



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plant in **S** Carolina starts up

By Nancy Dunne in Washington

Fuji Photo Film USA has begun production in a new facility in Greenwood, South Carolina, signalling its determination to challenge Kodak on its bome territory.

The new facility is the fourth of seven Greenwood plants planned by Fuji. By the end of 1997, all seven plants in the \$700m Greenwood complex are expected to be up and running, employing 1,200 US workers.

Fuji says it has invested \$2bn in 30 other facilities including photo laboratories and sales offices - across the

Mr Craig White, a Fuji official, said the expansion was not related to the complaint by Kodak of anti-competitive practices in the Japanese photographic film and paper industry. Fuji had made a strategic decision in 1988 to establish an important manufacturing presence in the US, be added.

The new facility has begun operations on 35mm film, imported on large rolls from the Fuji plant in the Netherlands and cut and finished in

Fuji officials say they have been unable to break Kodak's dominance in the US market. Their market research shows 50 per cent of Americans will only buy Kodak film.

Fujl says it has never had more than 12-13 per cent of the US market and generally has about 10 per cent, which it compares with Kodak's mar-

ket share in Japan. in 1994, Kodak held a 36 per cent share of the world market, excluding the US and Japan, and Fuji won a 33 per cent share, Fuji officials say.

Kodak has about 70 per cent of the market in the US, similar to that held by Fuji in Japan, Kodak says the Japanese government has not encouraged competition, while the US government "bas not songht to privatise protec-

New Fuji Kodak-Konica camera link

Nikon, Minolta and Canon.

share of the world film and

camera markets. Fuji and

Kodak together have about 80

per cent of the US and Japa-

Konica, which is not a mem-

ber of the alliance that devel-

oped the APS, will supply

Kodak with the single-use,

throw-away cameras it will

produce at its plant in Tokyo.

The deal with Konica could

nese markets:

By Michiyo Nakamoto in Tokyo

Konica, the Japanese film and camera maker, is tying up with Kodak, the US company, to make new cameras based on the advanced photo system (APS), which combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

The two companies will jointly develop single-use or disposable cameras based on the APS format unveiled earlier this month. Development of the format for APS cameras brought together arch-rivals

Kodak and Fuji in addition to help Kodak, which has stepped up its activities in Japan recently, to increase its share The project's membership of the Japanese single-use camhas led to claims that it is virera market, which is domitually a cartel. The companies nated by Fujifilm. involved hold a significant

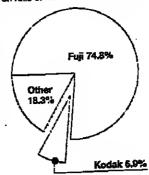
The Kodak-Konica alliance comes at a time of sharp differences between Kodak and Fujifilm. Despite their collaboration on the APS project, Kodak has waged a campaign for US trade action against anti-competitive measuree allegedly used by Fuji to dominate its home market for film.

Kodak has claimed Fujifilm's practices in the Japanese mar-

ket have cost the US company \$5.6bn in lost export revenues. Fujl has vigoronsly denied Kodak's allegations.

Japan's Fair Trade Commission announced on Wednesday that it would start an investigation into business practices in the photographic film and paper markets, ahead of the first summit meeting between Japan's prime minister, Mr Ryutaro Hashimoto, and US President Bill Clinton.

Later this year, the US trade representative is due to report its findings on whether Fujifilm practised anti-competitive Kodak's market share Kodak estimates for 1993 based on rolls of colour film sold in Japan



behaviour, in a determination that could lead to sanctions being imposed by the US. US-Japan talks, Page 6

The watchdog that refuses to bite

he decision by the Japan Fair Trade Com-

mission to launch an investigation into the domestic market for photographic film and paper will be a test of its ability to shed its reputation as an ineffective organisation and become the strong, independent watchdog it seeks to be.
The lack of anti-monopoly enforcement in Japan has long been considered a serious obstacle by the country's trad-

ing partners.

"Many, many more European companies are bringing up fair competition issues, notes Mr Alain Coine, chairman of the European Business Council in Tokyo.

Price-setting among cartels, manipulated hiddings and a lack of response from the JFTC put European companies in Japan at a disadvantage, the EBC says in its latest white

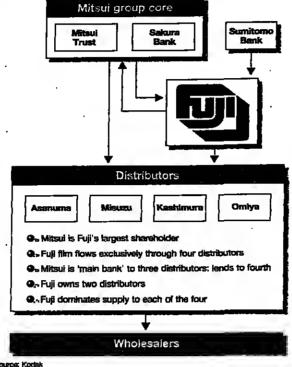
The problem is not Japan's anti-monopoly law itself, which is modelled on the US antitrust law. But "the application of fair trade rules is loose in some areas," Mr Coine says. The American Chamber of

Commerce in Japan also asserts that the JFTC allows Japanese companies to follow a rather loose interpretation of the law. The weakness of anti-monop-

oly enforcement in Japan has earned the JFTC a reputation for being a watchdog that does not bite.

For example, although Kodak and Fujifilm both have about 70 per cent shares in their home markets, Kodak has Michiyo Nakamoto on Japan's anti-cartel agency

Kodak's claim: Full and its distributors



faced substantial scrutiny from the US anti-trust authorities, while the FTC has taken limited action against Fujifilm, notes Mr Jiro Tamura, professor of policy management at Keio University in Tokyo. Officials at the FTC defend

limited resources they have. With just 520 employees and an annual budget of Y5.2bn (\$49m), the JFTC is only one third the size of the US federal anti-trust forces, they say. But it is not just a lack of resources that ties down the their record by pointing to the FTC. Japan's anti-monopoly

anthorities are also hampered by social attitudes that create, perhaps, a more formidable obstacle to enforcing fair com-petition than the lack of staff and funds.

For one thing, Japan's grouporiented society has not wholly subscribed to the idea that collusive activity, such as forming cartels, is wrong.

"Even though 48 years have passed since the anti-monopoly law was established in Japan, it has not really taken root in Japanese society." Mr Masami Kogayu, chairman of the FTC conceded recently in a Japanese magazine interview.

Part of the explanation lies in the strong tendency in Japanese society to value co-operation over competition.

As Japan struggled to emerge from the ruins of the war, competition policy was sacrificed to an industrial policy that fostered industry-wide vertical and horizontal relationships, known as keiretsu.

The US car industry, for example, has long claimed that tight control by Japanese manufacturers over their dealers keeps a large part of the Japanese market closed to imports. The history of post-war US-Japan trade disputes can be seen as a decades-long attempt to challenge this system. But resistance to such pres-

sure remains strong in Japan. People say this is the way we do things here and it works just fine," notes a US government official in Tokyo

An aversion to disrupting courages victims from pointing out anti-competitive behaviour. "If you go to the JFTC, you

create turbulence and an

impleasant atmosphere which Japanese society does not like," says the EBC's Mr Coine. More seriously, the need to maintain harmony with gov-ernment agencies, politicians and the business community, compromises the FTC's ability

to act independently. "In the Japanese social system, where harmony is very important, the FTC has been conscious about how other government agencies, such as Miti [Japan's ministry of international trade and industry] feel." says Professor Tamura.

eanwhile, the close ties many politicians have with leading Japanese companies have tended to limit political support for stronger anti-monopolv enforcement.

And there are no clear checks on the JFTC's decisions, Professor Tamura says. If the JFTC decides not to take any action, the victim of anti-competitive activity cannot resort to private legal action, as they can in the US. However, after years of for-

eign pressure, there is grudging recognition that anti-monopoly enforcement needs to be strengtoened. The JFTC itself has requested a rise in its budget and staff members and is working towards abolishing all officially sanctioned cartels by March 1999.

WORLD TRADE NEWS DIGEST

EU, US act on Japan's piracy

The European Union yesterday joined the US in complaining to the World Trade Organisation about Japan's failure to protect pre-1971 sound recordings from copyright piracy. The US complaint, lodged on Pebruary 9, was the first to be brought under the WTO's accord on intellectual property rights, which came into force for industrialised countries at the beginning of January.

The US and EU claim that the accord requires copyright protection for sound recordings released since 1946. Japan argues that the WTO agreement permits countries to decide

on the extent of retroactive protection. The Japanese government is said to be weighing a change in the rules to protect sound recordings for 50 years, bringing Japan into line with other industrialised nations.

Performers affected by unlicensed copying of pre-1971 recordings in Japan include highly successful pop groups such as the Beatles and Rolling Stones and solo artists such as Frank Sinatra and Elvis Presley. The US industry puts losses from piracy in Japan at some \$500m, while the European recording industry yesterday said it was losing sales of at least \$120m a year. Japan's record market, the world's second largest, accounted for \$6hn or 17 per cent of global sales in

Zastava to increase output

Zastava, the Serbian motor industry group which manufactures Yugo cars, plans to produce 27,000 vehicles this year, half of which will be exported. About 7,000 cars are expected to be sent to Egypt and 1,500 units each to Macedonia and Slovenia. The export drive will be reinforced later this year with the resumption of sales to western Europe, the company says.

Zastava has been hard hit by the United Nations' sanctions on Serbia and the economic collapse of much of former. Yugoslavia. This led to a steep fall in output to about 8,000 ehicles last year. Some 200,000 a year were produced before the outbreak of hostilities. In the past four years, the company has made just 20,000 cars. Foreign sales should receive a further hoost with the introduction of new engines later this . Haig Simonian, Motor Industry Correspondent

US, Ukraine in satellite accord

The US and Ukraine yesterday signed an agreement allowing Ukraine to enter the commercial satellite-launch market but obliging it to offer prices which do not sharply undercut US companies. The accord will permit Ukraine to provide commercial space launches both to geosynchronous earth orbit (GEO) and to low earth orbit (LEO). Under the agreement, which expires at the end of 2001, Ukraine may win contracts for five GEO launches on its own and for a further Reiner, Washin 11 for a US-Ukrainian joint venture.

■ The Czech competition ministry yesterday said it had cancelled a defence ministry tender for a multi-billion crown Nato-compatible computer system which was originally won by Unisys of the US. The ministry upheld an appeal by Unisys against the cancellation, but said that a completely new tender would be required.

Siemens rail engineering division has won two orders worth DM145m (\$100m) from the Polish state railway for 10 city trains worth DM80m and for electrical equipment worth DM65m for a further 10 trains. Reuter, Munich

NEWS: INTERNATIONAL

Swift action urged on S Africa deficit

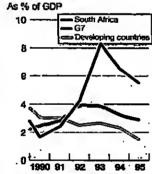
By Roger Matthews in Johannesburg

Swift action to cut the South urged yesterday as the rand steadied after falling over the past five trading days to successive all-time lows against the dollar. It closed at \$3.91 in Johannesburg, a fall of 26 cents on last Thursday's opening. Economists and foreign

exchange dealers said the bndget, to be delivered on March 13, had assumed greater importance as a signal to international markets that the government was committed to tack ling structural weaknesses in the economy. Mr Dave Mohr, chief econo-

mist at Old Mutual, Sonth

South Africa



Africa's higgest life assurer which manages assets of more than R150bn (£27.2bn), bas issued "a very serious health

warning" to the government. Despite 3.3 per cent growth last year, strong capital inflows and lower inflation, he "Trouble is brewing since South Africa's long-term fiscal trends have been alarming; recent improvements have not moved it out of danger ter-

The government's financial position was worsening steadily. "A fiscal crisis is looming, but is brewing slowly and might take time to arrive. The government needs to act soon and decisively. Fiscal targets, like the budget deficit, must take account of what is happening in other countries.

The country has an oversized public sector, which it cannot afford. Spending and staff numbers need to he brought into line."

Mr Chris Liebenberg, finance minister, sald last week the budget deficit for the current financial year would amount to R30bn, or 6 per cent of gross domestic product, against the 5.8 per cent target he set nearly a year ago.

The government's target is to reduce the deficit to 4.5 per cent of GDP by 1999, which would still be worse than many developing countries. Mr Mohr added that if the South African economy went into recession in this period, the deficit could soar to 10 per cent or more. Mr Liebenberg will be seek-

ing to keep expenditure constant in real terms but is under pressure from big spending

ministries and is having to grapple with the consequences of inadequate data and control systems in several provincial

He has also run into opposition from the main unions over a possible rise in value added tax, and is said to be considering a one-off levy on funds managed by the life assurance industry to raise R5bn.

A recent tax commission report suggested the government could impose a 30 per cent tax on pensions funds interest and other trading income. But with the inland revenue and customs and excise departments amalgamating, Mr Llebenberg was advised such a change would be too complex to handle vet.

UN, Iraq inching closer on oil sales

at the UN, New York

Talks between Iraq and the United Nations that ended on Monday brought both sides to a key point in a 12-step plan that could culminate in a return of Iraqi oil to world markets, the UN said last

"Right now, the momentum is excellent," Ms Sylvana Foa, the UN spokeswoman, told reporters after Mr Bontros Bontros Ghali, the secretary general, briefed the Security Council at a private meeting. He was said earlier to have

been encouraged by the results of 15 days of talks with the Iragis and to have detected signs of progress.
Though no agreement was

reached on the proposed sale of up to \$2bn (£1.2bn) of Iraqi oil, mainly to pay for badly needed food and humanitarian supplies, the negotiators identifled problems involved for subsequent political decisions to be made by both President Saddam Hussein and the UN. Countering reports in some quarters that the outcome was

disappointing, Ms Foa said there was no time frame for an accord and the current mood was, "let's get moving". Following the talks, which were technical in nature, the next step would be the adop-

tion of a procedure for sales of oil, Ms Foa said. This would be a task for the Security Conncil's sanctions committee, which will meet next Thursday.

Afterwards, according to a plan prepared by Mr Boutros Ghali, a bank would have to be chosen to hold the escrow account to receive payments from Iraqi oil sales and release funds for the purchase of food and bumanitarian supplies.

Selection and appointment of oil "inspection agents" to belp the sanctions committee would be the next step, followed by redeployment of UN personnel to plan and oversee distribution of food and humanitarian supplies, The UN said the organisa-

tion must also be satisfied supplies were adequate and were passed out equitably.

INTERNATIONAL NEWS DIGEST

Iran intervenes on N-test treaty

Iran sought a breakthrough yesterday in the standoff between. India and the big nuclear powers in the search for agreement on a global ban on atomic weapons tests. "You are working against time," Mr Ali Akbar Velayati, Iran's foreign minister, told the 38-nation Conference on Disarmament, which is trying to wrap up a comprehensive nuclear test ban treaty this year. Mr Velayati presented the conference with a proposed

compromise treaty to bridge some 1,219 points of contention, in the current negotiating draft. He said no country would find all of its positions in the 63-page proposal, but that each would find its views were represented in some way. The surprise move by Iran was similar to a proposal by Australia several years ago credited with breaking the logiam for negotiations on a treaty to ban chemical weapons.

The proposal was welcomed by Mr Daryl Kimball, a representative of the Nobel Peace Prize-winning international.

Physicians for the Prevention of Nuclear War, who was in Geneva to urge the conference to speed talks.

Morocco in refinery flotation

Morocco said yesterday it would float 25 per cent of its biggest refinery, Samir, on the Casablanca bourse at Dh243 (£18.50) a share and valued the refinery at Dh5bn (£380m). Mr Abderrahman Saaidi, the privatisation minister, told a: news conference the flotation would raise Dh1.3bn from the sale of 5,160,375 shares, making it the biggest state sell-off so

far. Subscriptions will open from March 4 to 12. Up to 55 per cent of the refinery, Société Marocaine de Industrie du Raffinage (Samir), which has a capacity of 6m. tonnes a year, will be sold to a strategic investor. It expects a net profit of \$64m (£41.5m) in 1995. Reuter, Casablance

Nigeria Airways' \$100m missing Cash-strapped Nigeria Airways said \$100m granted to its previous management by the government to start an

international airline could not be traced, local newspapers reported yesterday. Group Captain Peter Gana, the company'e managing director, said in Lagos recently the money was handed over to the airline in 1992, when it was to be split into Nigeria Airways for local services and Air Nigeria for international operations.

"Despite the release of the money, there is nothing existing on the ground called Air Nigeria and that money is not in the accounts of Nigeria Airways, at least I don't know where it is."
The Punch newspaper quoted Mr Gana as saying. After the government probed Nigeria Airways, its entire management was sacked and a new team led by Capt. Gana. an air force officer, appointed to try to revive the airline.

Reuter, Logos

Moi launches economic agenda

Kenya's President Daniel arap Moi launched his economic agenda for the next three years, focusing on reform of loss-making public companies, cutting the civil service and eliminating widespread corruption. He also created a presidential economic commission including private sector executives and chaired by himself to implement the programme in a 1996-98 policy framework paper.

It targeted for reform ports and airports authorities, the posts and telecommunications company, power and light company, the National Cereals and Produce Board and National Social Security Fund – all seen as poorly managed. In a rare and frank assessment of Kenya's situation, Mr Moi said 10m people in a population of 28m lived in poverty and 1.5m were expected to enter the labour force by the year 2000.

King back in charge of Saudi Arabia

ing Fahd of Saudi Arabia was back in charge of the world's largest oil producer yesterday three months after falling ill, ending his half-brother's short-lived regency and surprising many analysts both inside the kingdom and

"Although the king has been seen on television attending a cabinet meeting and receiving dignatories, the general feeling was that his recoperation would take some time," a Saudi banker said yesterday. "He is, however, the only person with the authority to impose firm control over the

abroad.

of the government in general and the economy in particu-Diplomats and other analysts point to two economic issnes that might have played a part

ruling family, on the running

in the king's move. The government has yet to release figures for last year's budget deficit, which some economists believe means it was at least 25 per cent more than the \$4bn (£2.59bn) proj-

ected by the government. It is also understood that the king disapproved of Prince Abdullah's decision to issne non-interest bearing promisory notes (IOUs) to pay off overdue government debts to farmers rather than issuing debt bonds which carry interest.

This latter method was pre-

ferred by the King last March

to help clear SR4bn-SR5bn

would not receive immediate cash. Farmers are a powerful element in the kingdom's conservative heartland, a constituency that needs to be treated with care. The manner in which Prince Abdullah dealt with repayment demands from farmers reflected his difficulty as an

(£690m-£860m) worth of govern-

ment debt to state contractors.

Issuing IOUs means the farm-

ers would have difficulty dis-

counting them to banks and so

acting prime minister compelled to use compromise measures to deal with a serious budget problem caused by what economists estimate to \$98bn of domestic debt, some 76 per cent of gross domestic product. Current expenditure has been a growing component of the overall hudget and is now more than 50 per cent of

total expenditure.

Prince Abdullah's solution pleased no one and noset everyone. In the view of one senior Saudi banker, it also gave his opponents precisely the ammunition they needed to reinforce their claim to the king that Prince Abdullah was not strong or experienced enough to run the govern-

tive attitude and his relative

lack of government experience

could also have inclined him to

"nod his consent" to attempts

by Qatar's deposed ruler

Sheikh Khalifa to regain his

throne from his son Sheikh

Prince Abdullah's conserva-

King Fahd on the other hand is too experienced to let his personal instincts of friendship for Sheikh Khalifa to get the better of his political judgment. King Fahd had already officially recognised Qatar's new ruler and would have discouraged any attempt by Sheikh Khalifa to regain his throne. Similarly with regard to the

disturbances in Bahrain, King Fahd may have done more than simply issue strong statements encouraging Bahrain's ruling family to take a tough line. King Fahd's caution may now move him to encourage the Bahrain government to alleviate some of the symptoms of the unrest even if Saudi Arabia remains firmly against any concessions.

On the domestic political front King Fahd's presence at the head of the government is more important than ever in view of the continuing failure to find those responsible for the car bomb attack at a USmanaged office associated with the Saudi national guard on November 13 which killed five Americans and two Indians. US residents in Saudi Arabia have become more anxious about their safety as more warnings are issued for them

to be cautious. The King's return also adds a sense of drama to the succession issue. "It suggests Prince Abdullah'a leadership qualities albeit temporary - have failed to impress senior mem-



bers of the ruling family who alone decide on the succession. Prince Abdullah will be 73 this year. The defence minister Prince Sultan, the king's full brother and who is 72 this year, "has never in 30 years hidden his ambition to be king", according to one seasoned observer in Washington. But with these three in their 70s and a record of illness between them, there are ones-

tion marks over the long-term stability of the country now facing a possible string of ageing monarchs and short reigns. King Abdul-Aziz (Ibn Saud), the founder of modern Saudi Arabia, who died in 1953, had more than 55 children including 34 sons, 27 of whom, including King Fahd, are alive

today. The total number of

is put at 4,000-6,000. The core who wield political clout number 35-40, according to Michael Field, anthor of "Inside the King Fahd is the fifth son of

Ibn Saud to have become king. Prince Abdullah would be the sixth. Prince Sultan is widely thought to be second-in-line to the throne, even a contender. Prince Sultan is, after the king, the eldest of a group of full brothers known as the Sudairy Seven, named after

their mother Hassa Bint Ahmed Sudairy, Ibn Saud's favourite wife whom he married, divorced and married

Robin Allen

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NEWS: THE AMERICAS

Republican leaders warn against Buchanan

By Jurek Martin, US

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omic agenda



force to warn of ELECTIONS the conse-November 5 quences of his becoming the US presidential nominee.

Gen Powell, former chairman of the joint chiefs of staff, said in a Wednesday night TV interview that he could never vote for Mr Buchanan. He "gives out a message of intoler ance which f think is very unfortunate," he said. But Gen Powell did not hint he might be persuaded to reconsider his own decision not to run.

Mr Jack Kemp, former housing secretary, described Mr Buchanan's policy prescriptions as pessimistic, negative and exclusionary, but he conceded "legitimate concerns" ahout joh losses and trade. Mayor Rudolph Giuliani of New York, whose state's



And Pat might make five. Buchanan visits the four graven presidents of Mount Rushmore with his wife Shelly

Republican primary is on March 7, said Mr Buchanan was "extremely hostile to New York" and pledged "everything

we can" to stop him. Mr Haley Barbour, the party's national chairman, tried to preserve bis neutrality by saying it was too early to draw conclusions about the nomi-

nee. He was confident it would be someone "Republicans can unite behind" well in advance of the election in November.

Another to sit on the fence was Governor George Bush of Texas, site of n vital primary on March 12. The son of the former president, however, was implicitly critical of Mr Buch-

anan's protectionism. Mr Buchanan during a fourstate campaign swing yester-day. "I'm not in the business of Mr Bush's hacking in the nomination race bas been weeding anybody out of the Republican party," he said in octively sought by Mr Lamar Alexander, former governor of Tennessee, for whom the Texas Denver, Colorado. His goal was primary looms as a make-or-break cootest if his lagging to hroaden its base by bringing in minorities and the working fund-raising is to be revived. classes, traditional backers of

On Wednesday, Mr Buch-anan visited Mount Rushmore in South Dakota, which, with North Dakota and Arizona, is to hold its primary on Tues-day. He posed in front of the monumental faces of the four presidents carved out of the rockface and proclaimed: "Washington, Jefferson, Lincoin and Theodore Roosevelt all believed that the American economy was designed for the American worker and the American family."

But it may not have belped Mr Buchanan that his one notable endorsement yesterday came from Mr Vladimir Zhirinovsky, the Russian ultra-

nationalist. Elsewhere, Senator Dick Lugar of Indiana, who was fifth with 5 per cent in New Hampshire, said be would concentrate on New England, five of whose states hold primaries on March 5. Senator Bob Dole. the Senate majority leader, would like Mr Lugar to withdraw, confident that most of his support would move over. But the majority leader con-tinues to garner bad reviews. A New York Times editorial vesterday called him "somnolent", while one in the Wall Street

Journal said it was "amazing" that "he still can't find the words" to endorse the Republiemerged as a last-minute can-

Greenspan set for third term

President Bill Clinton was yesterday expected to nominate Mr Alan Greenspan to a third term as Federal Reserve chairman and Ms Alice Rivlin, the US administration's hndget director, to the Fed vice-chairmanship vacated last month by Mr Alan Blinder. the Princeton University

Mr Laurence Meyer, an economics professor at Washing-ton University in St Louis, was also expected to be nominated to a second board vacancy, created by the resignation last year of Mr John LaWare, a Boston banker.

Such announcements would end months of indecision over Fed personnel. The White House had reservations about Mr Greenspan, wbo, lt felt, could have done more to promote economic growth. But it could find no alternative candidate of comparable standing acceptable to Wall Street and to the Republican-controlled Senate banking committee, which must confirm Fed

Ms Rivlin bad indicated that she did not want a Fed appointment. However, she

didate for the Blinder vacancy after the withdrawal of Mr Felix Rohatyn, the New York Investment banker. Republican senators had vigorously opposed Mr Rohatyn, long a passionate advocate of higher social spending and government intervention to stimulate growth.

Ms Rivlin, a Washington insider, should win Senate approval. She is seen as a beavyweight economist but as a less polarising figure than Mr Robatyn. Before joining the Clinton administration, she won the respect of Republicans and Democrats in Congress as the first director of the non-partisan Congressio-

nal Budget Office. Mr Laurence Meyer, an eco nomics professor at Washing-ton University, heads his own economic forecasting company, Laurence H. Mayer & Associates. He has a PhD in economics from the Massachnsetts Institute of Technology and has been a visiting scholar at the Federal Reserve Banks of New York and St Louis.

Mr Clinton bad been under growing pressure to fill the Fed vacancies. Mr Greenspan's second term expires on March 2, and the Fed bas rarely functioned with two vacancies on

Árgentine 'mafia' charge revived

Cavallo defends his tax record

By David Pilling in Buenos Aires

Domingo Cavallo, Argentina's economy minister, has strongly defended himself on both legal and ethical grounds, after revelations about his tax payments in 1994. For that year, he paid tax equivalent to only \$5,009 on

income of nearly \$260,000. Mr Cavallo, in a television Interview, also reopened his running battle with Mr Alfredo Yabrán, the postal entrepreneur who, he alleged, had leaked Mr Cavallo's tax return to discredit him. "They want me to lose my moral authority ijgnt tak evasioil . . a fight crime and mafias," the

minister said. Last September, Mr Cavallo's accusation that "mañas" were close to the government led to a crisis within the Peronist administration and a sharp fall or Argentine stocks and bonds. Mr Cavallo said in the inter-

view there were "absolutely no irregularities" in his sworn declaration of income. "I paid all the taxes I was meant to," he said. He admitted that he earned, like all other ministers, a sobresueldo (top up salary), but said this was about \$6,000 a month, not the \$9,000 that had been deduced from a misread-

ing of his tax return. The minister also said he had long argued against the top-up system, suggesting that such payments be incorporated into regular salaries, but the administration had demurred because the public would not

for control.

Northrop Grumman.

said on yesterday.

AMERICAN NEWS DIGEST

Brazil carnival

deaths increase

Brazil's carnival weekend, which climaxed on Tuesday night, was the most violent yet, with 219 murders recorded in São Paulo state alone, an increase of 42 per cent from last year. In I' h de Janeiro, there were 58 homicides, a 32 per cent increase. São Paulo police hlamed the increase on drug and alcohol abuse related to the festivities. Drug traffickers, long visible in

Rio de Janeiro, are increasingly penetrating the poor outskirts

of São Paulo, where they are fighting one another, and police,

Authorities said the São Paulo total, measured between last

Priday and Wednesday morning, included 81 murders where the police had no clues.

Angus Foster, São Paul

The US navy grounded all its F-14 fighter aircraft for 72 hours yesterday, after one crashed into the sea off the aircraft-carrier Nimitz in the Gulf region, a spokesman said. He said both

crewmen survived. The crash was the third involving F-14s recently. The aircraft were built by Grumman, now part of

"The pilot and radar intercept officer ejected and were recovered from the sea by the ship's rescue helicopter, both with minor injuries," the spokesman said. Reuter, Washington

US navy grounds F-14s

tolerate an apparent tripling or quadrupling of ministerial pay. Mr Cavallo also defended his

right to own stocks and bonds. These were managed for him by Banco Roberts. He in no way used inside knowledge to speculate, he said. It was the subject of Mr

Yabran, however, that captured headlines yesterday. In an interview with the magazine Gente, Mr Cavallo appeared to suggest that the businessman might try to kill him. Gente quoted him as saying: "Il Yabran has me killed, or sends one of his henchmen to kill me, everyone will know what happened."

Mr Cavallo said his words had been taken out of context. In Gente, be had been speaking of a hypothetical situation, he said. "I never said that Yabran wanted to kill me."

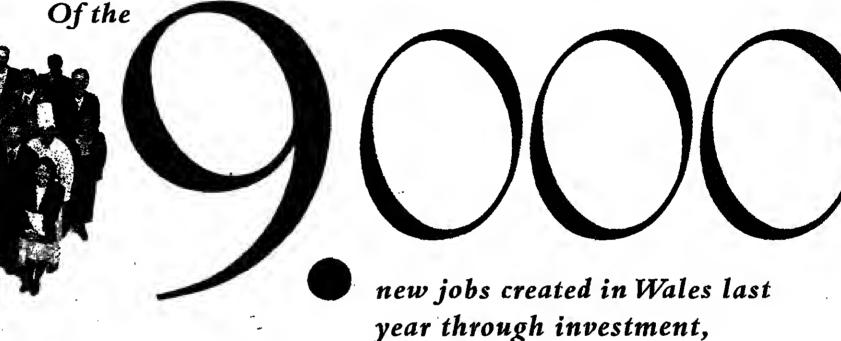
Last year, Mr Cavallo launched an attack on Mr Yabran in order to block a post office privatisation hill which, he alleged, had been tailored for the businessman.

This implication that mem-bers of the government were open to corruption unleashed a battle within the cahinet and sent markets tumbling. It was only when Mr Cavallo dropped the subject that rumours of his imminent dismissal faded.

 Argentine President Carlos Menem's application for wideranging tax and spending "superpowers" moved closer to fruition when the Senate approved one element of a twopronged bill.

Angus Foster, São Paulo

can "revolution" of 1994, This barrage did not deter



nearly

were created by companies investing again. Well, success does breed success.

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DEVELOPMENT AGENCY

Tidal wave hits Peru A tidal wave hit Peru's northern coast and killed 10 fishermen. after an earthquake on Wednesday in the Pacific, authorities Civil defence officials said that, soon after the tremor, a 20-foot wave hit the coast near the port of Chimbote, 250 miles An earthquake measuring 6.7 on the Richter scale, and BEST BUSINESS CLIMATE IN EUROPE. WALES originating 15 miles beneath the ocean, shook northern Peru

early on Wednesday, but local officials had initially said there

was no damage or injury. An earthquake struck central Chile yesterday, knocking out telephone lines in the capital, Santiago, panicking dents and causing some minor damage but leaving no Reuter, Lima and Santiago

Hashimoto to mend fences at **Clinton summit**

By William Dawkins in Tokyo

Japan aims to improve relations with the US at the first meeting hetween their respective leaders since the combative Mr Ryutaro Hashimoto became Japanese prime minister last month.

Mr Hashimoto will this evening have a strictly informal meeting with President Bill Clinton in Santa Monica, California, to become acquainted before their first formal summit in Tokyo in

mid-April. Since taking over as prime minister, Mr Hashimoto has dropped the hawkish tone that won him domestic plaudits as trade minister, during last summer's heated trade talks on US access to the Japanese car

Mr Hashimoto told businessmen before leaving Tokyo he wanted to use today's meeting to reinforce the security alliance with the US, traditional mainstay of Japanese foreign policy. "The purpose of the meeting is to aolidify our

mutual trust," he said. Both sides are concerned to calm continuing objections by the people of Okinawa to the presence of 47,000 US troops on the island, the largest US base in Japan. Feelings are still bruised by the alleged rape of a schoolgirl last September by three US servicemen.

The incident has provoked a wider debate about the value of the US security umbrella, unquestioningly accepted in

Japan since the early 1960s. Much, though not all, the heat has gone out of the previously troubled US-Japan trade relationship. One good sign is last month's fall in Japan's trade surplus with the

lt halved from its level in January last year to \$1.55bn. the lowest in 12 years, partly helped by a rise in car imports. That is seen by US officials in Tokyo as a sign last year's



South Korea and Japan are to ask Europe for a contribution to the \$4bn project to develop safe nuclear power generation in North Korea, at next week's Europe/Asia summit in Bang-

The EU has been considering for several months a contribution to the project, under which North Korea has agreed to scrap programmes capable of producing weapons-grade plntonium. But, although Finland, the UK, France and Ger-many have made small individnal contributions, no agreement has been reached on European-level funding.

By John Burton in Seoul

immediate demand for a peace

During the past two years,

North Korea has been unflater-ally attempting to dismantle

the armistice system that

ended the 1950-53 Korean war,

in an effort to force the

US to sign a formal peace

North Korea believes a peace

agreement would amount to a

security gnarantee from the

US and possibly lead to the

removal of US troops from

By John Burton in Seoul

South Korea's current account

deficit almost doubled to a

record high of \$8.82bn last year

due to increased imports of

capital goods and raw materi-

The figure underscored

Korea's heavy dependence on

machinery and raw materials

from abroad to operate its

export-oriented industries. The

current account covers trade in

goods and services plus money

FINANCIAL

treaty with Washington.

Monday's foreign ministers' council in Brussels will again address the issua in the hope a response can be ready for the Bangkok summit.

Under consideration is an initial contribution of some Ecu5m (\$6.25m) from the EU's limited common foreign and security policy budget. Additional contributions could follow in later years.

Agreement has been difficult because of conflicting views among member states about how the money should he used. Some, such as Sweden and Austria, have general reservations about nuclear energy and want the money to go to buy heavy fuel oil while reactors are being European officials say next built.

Others, such as France, want the funds tied to the use of European technology, and for Europe to have a say on the workings of the Korea Peninsula Energy Development Organisation (Kedo) masterminding the project.

But there is general agreement in Europe that even a modest contribution would be a demonstration at the summit of European concern ahont Asian security issues.

Japan is also particularly anxious to obtain a positive response in the wake of its own \$20m emergency relief contribution to Bosnia. It fears public opinion at home will no longer support such gestures if its own requests for aid are

urgent necessity to institute a mechanism that is intended, at

least to deter armed conflict

and war on the Korean penin-

sula," the foreign ministry in

Pyongyang said, adding: "The

US should affirmatively react

Although it continues to

exclude South Korea from a

peace treaty, North Korea

hinted it might resume talks

with Seoul on implementing

their 1991 non-aggression pact

if security negotiations prog-

This suggests North Korea

to the initiative".

ress with the US.

South Korea is expected to provide the hulk of the costs of the Kedo project. Its Korea Electric Power is the main contractor and the project will use Korean light-water reactors manufactured under licence from Comoustion Engineering of the US.

Japan is expected to provide significant financing, hut the CS, which is the other partner in Kedo and brokered the original deal, has offered little

financial support Kedo has been seeking contributions from other countries, partly to fill this gap and to signal clearly to Pyongyang broad international support for the project as the only acceptable way of dealing with its nuclear programme.

including food shortages. But

South Korea initially appeared

sceptical about the North Kor-

ean offer, believing it is an attempt to establish closer ties

between Pyongyang and Wash-

North Korean offer, which is

merely a replacement for its persistent demand to conclude

a peace treaty with the US," a

spokesman for the national

unification ministry told a

press hriefing, as qnoted hy

the South Korean news agency

But the ministry later retracted the remarks, indicat-

ing Seoul might be taking a

second look again at the North

There is nothing new in the

ington, while isolating Seoul.

ASIA-PACIFIC NEWS DIGEST

Emigration from HK slows down

Emigration from Hong Kong slowed last year, reflecting the clearing of a hacklog of applications and some easing of * concerns about next year's return to Chinese sovereignfy, officials said yesterday. The Hong Kong government sects ity branch said about 43,000 people emigrated in 1995, against 62,000 in 1994. Officials said they expected an increase this year, but not a sharp one.

Despite the outflow, Hong Kong's population continued to grow last year. Census department statistics showed total population increased by 158,800, or 2.6 per cent, to an estimated 6.31m. This included a net inflow of 120,600, including migration of mainland Chinese into the colony. In including migration of manuscut Chinese immigrants was.

July last year, the daily quota of Chinese immigrants was.

John Ridding, Hong Kong

Thai SEC defends position

Staff at the Thai Securities and Exchange Commission (SEC) have complained of an inability to carry out their duties, due to a climate of insecurity since the unexplained sacking late. last year of the agency's chief executive, Mr Ekamol Khiriwat. In an open letter to the SEC board, which at the urging of the finance minister, Mr Surakiart Sathirathai, forced Mr Ekamol to resign, SEC staff said Mr Surakiart'a refusal to produce evidence that Mr Ekamol leaked classified

information had damaged their ability to supervise the country's financial markets. Mr Ekamol's dismissal showed that "anyone can easily exploit trivial mistakes made by SEC officials in the course of their duties in order to punish them. irrespective of the nature or the extent of seriousness of the offences," the letter said. Mr Surakiart has come under heavy criticism for his handling of the case, where Mr Kkumol was dismissed from his concurrent job as deputy governor of the Ted Bardacke, Bangko

Japanese unhappy about society

Most Japanese adults are discontented with Japanese society but are optimistic about their own lives, a survey by the Economic Planning Agency released yesterday shows. The questionnaire found 79 per cent of respondents see an increase in the number of "irresponsible people", amid concern about the safety and order of Japanese society. Some 79 per cent said people were selfish; 75 per cent said ethics and social justice were being eroded. But over half the respondents said they were optimistic about their own future.

Some 59 per cent were satisfied or somewhat satisfied with their lives as a whole. The percentage ratio of those satisfied with their lives is higher for women than men; workers in bigger companies were more satisfied than employees of smaller companies in the same income bracket. Kuodo. Tolsuo

Prince sentenced in absentia

Prince Norodom Sirivudh, the half hrother of Cambodia's King Norodom Sihanouk, was convicted in absentia yesterday and sentenced to 10 years in prison for his role in an alleged plot to kill the co-premier, Mr Hun Sen. In announcing the guilty verdict and the sentence, the Phnom Penh muncipal court judge, Mr Ya Sokhon, said the prosecution had offered more than enough evidence that Prince Sirivudh, 44, had conspired with an "armed group" to kill Mr Sen.

The prince, a former foreign minister and secretary general of the royalist Funcinpec party, has repeatedly maintained his innocence but decided not to return to the trial, which he AFP, Phnom Penh called a "mockery of justice."

Kurile plans upset Russia

Russia voiced concern yesterday over Japan's plan to set up a 200-nautical-mile economic exclusion zone around its coast that would include four disputed islands in the Kurile chain. foreign ministry official, quoted by Itar-Tass news agency, said he hoped Japan would "not take any action capable of aggravating Japanese-Russian relations", after Tokyo announced on Tuesday it would ratify the UN Convention on the Law of the Sea ahead of establishing the new zone.

Ministry officials voiced "surprise and regret" at the publication of a map showing the planned nautical exclusion zone in Japanese newspapers.

Japan has a long-standing territorial dispute with Russia over four islands in the Kurile chain occupied by Soviet troops in the closing days of the second world war.



Hashimoto: informal approach

hard-won trade accord has at

last started to pay off. Senior officials on both sides atress that the leaders are unlikely to spoil the goodwill planned by tackling the five outstanding hilateral trade disputes: foreign access to Japan's markets for insurance, semiconductors, photographic film, Japanese access to the US market for air freight, and alleged Japanese infringement of international music copy-

Even if the two leaders were to descend from reinforcing their wider ties to the details of trade, they would see signs of progress on some of the out-

standing disputes. The two sides remain far apart on semiconductors. The US is seeking, against Japan's wishes, renewal of an agree ment due to expire in July that reserves a fifth of the Japanese market for foreign

Japanese trade officials warn that Mr Hashimoto's newlydiplomatic tone may not alter the policy of resistance to bilateral trade pressure, "Because he is now prime minister does not mean his stance or that of the Japanese government will change," one official said.

Washington has refused to discuss such a treaty, explaining that peace talks should be North Korea yesterday renewed its call for a new conducted between North and

security agreement with the US, but has dropped its South Korea. But North Korea has refused to hold negotiations with Seoul, which it regards as a US puppet, since Washington signed the armistice on behalf of Sonth Korea at the end of

> In a new initiative, North Korea's foreign ministry offered to negotiate a temporary agreement with the US to replace the armistice commission with a joint North Korean-US military body to monitor the truce until a peace treaty is signed.

A sharp increase in Korean

exports results in a correspond-

ing rise in industry-related

imports. This occurred last

year as exports surged due to a

Last year's current account

deficit exceeded the previous

a 95 per cent increase from the

The Korean central bank pre-

dicted the 1996 deficit would

narrow to \$6hn because of

weak Korean currency.

1994 deficit of \$4.53bn.

transfers

may be seeking a compromise on the security issue because of a desperate need to end its isolation in response to grow-North Korea "deems it an ing economic problems.

Pyongyang pushes US treaty

Seoul deficit hits record \$8.82bn

slower export growth and a

drop in imports of capital

Korea reported a trade deficit last year of \$4.7bn against \$3,15bn in 1994, with a 31.6 per cent increase in exports to \$123.2bn and a 32,2 jump in imports to \$127.9bn on a baiance-of-payments basis.

record of \$8.72bn in 1991, and is An unexpectedly small trade surplus in December of \$252.2m. also announced vesterday, increased the current account deficit. The December surplus had been forecast at

Developing countries for the first time replaced advanced industrial countries as Korea's largest export market, accounting for 50.1 per cent of total exports, aided by growing sales of semiconductors, cars. ships and other heavy industrial

Overseas shipments of these products rose 37.5 per cent year-on-year and accounted for

While South Korea enjoyed a \$19.1bn trade surplus with developing countries on a customs clearance basis, it suf-

fered a \$29,1bn trade deficit with the industrialised world. South Korea had trade deficits of \$15.5bn with Japan and \$6.29bn with the US, reflecting their importance as the main source of capital goods for South Korean industry.
Invisible trade resulted in a

\$3.51bn deficit, including \$1.22hn in travel accounts and \$2.38bn in financial accounts such as interest and royalty This compared with a deficit

of \$1.99hn in 1994, the result of rising transportation fees, following expanding trade, widening deficits in tourism and rising royalty and interest payments. The economy grew an esti-

mated 9.3 per cent against 8.4 per cent in 1994. A central bank official said last year's

An end to spending promises Nikki Tait on concern about the outlook for the fiscal deficit



environmental policies, tax cuts - tbe financial promises have come thick and fast federal election campaign. "l don't think we've fought

an election on AUSTRALIAN pork-barrelling ELECTIONS like this for many years,"

March 2 says one anxious bank economist, totting up the numbers. Even the poli-ticians seem to have sensed that things have got out of hand. Mr Paul Keating, Australia's Labor prime minister this week went as far as to claim points for promising to spend less than his Liberal-National coalition opponents this week: "They've made the classic mistake. They think they've got to buy paople's votes. They've picked the mood wrong," he

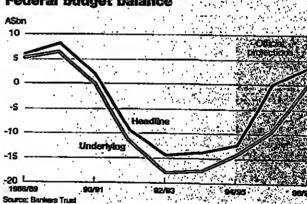
At the same time Mr John Howard, the coalition leader, was also insisting that the promises were over. "Any suggestions that there are further large amounts to come are inaccurate," he said.

This belated ractitude derives from the realisation that a sceptical electorate, which votes on March 2, is unimpressed. There have been enough broken promises in Australians' not-too-distant political history to question any commitments that do not look solidly funded.

The coalition has been making the bigger promises, pledging new programmes or tax cuts that will cost A\$6.3bn (£3.1hn) over the prospective three-year parliamentary term. The big items are increased spending on health and A\$1bna-year tax cuts for families, including single-parent ones, with children.

Labor, meanwhile, has

Federal budget balance



pledged new expenditure of about A\$2.9bn, 40 per cent on

"Both parties are offering new middle-class welfare at a time when we believe, in aggregate, it should be reduced," said the Business Council of Australia. "We are quite unequivocal that we want the [federal] bndget brought into surplus as soon as is possible." That, indeed, is the issue.

Both sides are making their promises from an unknown budgetary starting-point. The latest projections from the Treasury, issued before Christmas in the mid-term financial review, were of a federal hnd-get surplus of A\$115m for 1995/ 96, only slightly below the A\$718m forecast.

But this was to be achieved after hig asset sales - includ-ing the bulk of the government's remaining 50.4 per cent stake in Commonwealth Bank, worth about A\$4.5bn - and a large early deht repayment by the Victorian state government. Economists calculate that the underlying deficit (excluding one-off items, largely asset sales) stands at around A\$8bn-A\$9bn, or about 2 per cent of gross domestic product

For the more relevant 1996/97 financial year, everyone is still

working from last May's estimates. These promised a small "underlying" surplus. But with the economy slowing and some of the government's 1995/96 budget revenue measures hav-

this will be missed by a hig margin There is also particular concern among some forecasters that the government may have underestimated the number receiving unemployment bene-

ing failed to pass in the Senate,

parliament's upper house, pri-

vate sector economists think

The result is that estimates of the 1996/97 budget balance vary wildly with a middlerange for the underlying deficit of A\$4bn-A\$7bn.

Cynical commentators suspect that all this confusion does not distress the opposition too much. If it wins "the coalition will be in a position to do the old 'Mother Hubbard' routine (Oh dear, the cupboard is bare)", said a report from Bankers Trust.

But, if in an increasingly strict fiscal environment, the underlying hudgetary situation outlook is not encouraging to begin with, there still is a suspicion that both sides may be making it worse with their election largesse. To fund its family tax cut promises and increased spending on health,

the coalition claims to have earmarked compansating expenditure reductions of A\$6.3bn, and additional revenue measures of A\$2.53bn making for a A\$2.6bn improvement in the budget bottom-

But Labor has already taken a pot-shot at these numbers. with Mr Kim Beazley, finance minister, suggesting that tha cuts may be overstated by A\$2.85bn. On the other hand, the lower

additional outlays promised by Labor have made its funding joh correspondingly easier. Principally by axing the "tariff concession scheme" - which provides importers with a tariff concession if there are no local. manufacturers of substigoods - It has come up *-offsetting tax and expenditure

measures of about A\$3.1bu.
The one fiscal plus on the coalition's side is that it would fund its A\$1bn environmental programme from the proceeds of its planned partial privatisa-tion of Telstra, the large government-owned telecommunications. Rough estimates put an A\$8bn price tag on the onethird atake in Telstra which the coalition says it would sell. The remainder would go to

reduce public debt.

But even this could ha fraught with problems. An A\$8bn privatisation (of which less than 35 per cent could be sold to overseas investors) would be substantially larger than any previous stockmarket float absorbed by the Australian market - although Mr Costello says he has advice that it is possible.

What is more serious, the Australian Democrats - one of the minor parties - say they are adamantly opposed to the sale. Since minor parties cur-rently hold the balance of power in the Senate, and are likely to do so again after March 2, there is no guarantee that sale legislation could w

DIARY

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By John Kampfner and Jimmy Burns in London and John Murray Brown

10 a constitutional convention

favoured by British ministers and

unionists, and the idea of a referen-dum set out by moderate nationalists.

at a summit next week.

Business

in face of

consumer

By Gillian Tett,

rate since 1990.

confidence

Economics Correspondent

After several years of an

economic recovery in which

businesses bave boomed while

consumers remained gloomy,

Business profits showed the

sbarpest quarterly drop in the

fourth quarter of 1995 for five

years, official figures yesterday

showed. However, employee

This rise in consumer spending power will be welcome

news for the UK chancellor,

who bopes that the "feelgood"

factor may be returning soon.

However, the weaker busi-ness profits, and flat industrial

profile, underline the patchy

Measured overall, the Cen-

tral Statistical Office said that

UK economic output was a sea-

sonally adjusted 0.5 per cent higher in the fourth quarter of

1995 than the third quarter.

and 1.9 per cent higher than a

This was slightly higher

than the CSO's first estimates

of growth last month, when it

thought that quarterly growth was 0.4 per cent, while yearly

These upward revisions sur-

prised the City, not least

because many economists had thought that growth was slow-ing sharply towards the end of

But in spite of the better

than expected figures, the City remained cautious about the growth outlook - not least

because a breakdown of the

One sharp distinction, for

Services, which account for

contrast, fell back by 0.2 per

cent in the quarter, with Indus-

growth was 1.8 per cent.

year before.

performance.

services.

picture of the UK economy.

incomes grew at the fastest

the tables are turning.

turns down

in Dublin

JAY FEBRUARYS,

ads position

11 11 24 THE STREET

stronger demand, or because they have not yet bitten the bullet of temporary lay-offs to bring supply into line with demand.

"I don't think stock levels Nor, however, does the

UK and Irish leaders seek new formula A summit is now expected between Mr John Major, the UK prime minis-ter, and Mr John Bruton, his Irish

counterpart, next Wednesday. The UK and Irish governments were The meeting has been delayed yesterday seeking to put the finishing because both governments are adamant it must lead to a substantive touches to n new formula leading to all-party negotiations in Northern Ireland which they hope to announce announcement demonstrating their common approach to a political settlement despite the resumption of IRA Senior officials said the plans aimed to merge Dublio's plan for prelimi-nary talks, the proposal for elections

violence.

However, with security chiefs predicting further IRA bombings on the British mainland, ministers are extremely coutious about the prospects of progress. Of the many pitfalls, the governments have yet to decide how to treat Sinn Foin, the IRA's political wing which has refused to condepn the bombines or the end to the ceasefire. Both governments have allowed officials to continue to meet Sinn Féin

leaders, but ministerial contacts have

been suspended.

"There is a priority to get the ceasefire restored. At the same time, the governments are moving to get a political framework into which Sinn Fein could enter once the ceasefire is restored," an Irish official said. Sir Patrick Mayhew, Northern Ireland secretary, suggested to MPs that parties would be obliged to

endorse the principles of the 1993 Auglo-Irish declaration - seen as lead-ing to the first reasefires - to enter the talks. He told the House of Commons: "Any restoration of a ceasefire - and one should occur straight away has got to be credible."

Duhlin is also keen to include in any declaration next week a firm date for the start of all party talks, however British ministers are wary of committing themselves in advance. Mr Major held more talks with Mr David Trimble, the Ulster Unionist leader, who this week published his party's constitutional proposals. Mr Major is today due to see former

Senator George Mitchell, whose report on paramilitary decommission-ing in January had been seen as a vital element in tying Sinn Fein in to the political process. The prime minister was criticised by nationalists for ignoring Mr Mitchell's main proposals and opting for elections instead.

Mr Mitcbell yesterday ruled out a new role for himself in Northern Ireland, adding: "I was surprised to see some reports and analysis suggesting that Mr Major rejected our report. That simply was not the case and we didn't see it that way." Mitchell later travelled to Dublin for talks with the Irish government.

|Challenge laid by UK mortgage lender's new rates

By Alison Smith and Gillian Tett in London

Nationwide Building Society, the UK's third largest mortgage lender, yesterday launched an aggressive scheme of improved rates to around 7m savers and borrowers which it challenged competitors to

meet. In a move which It estimated would cost £200m in a full year, the society cut its home loan rate by 0.45 percentage point to 6.99 per cent, while increasing rates for savers by an average of 0.25 percentage

Typically, mortgage lenders have operated on a net interest margin of more than 2 percentage points, but the pressure of competition is driving the mar-

gin down towards 1.5 points. Other large building societies which, like Nationwide, have committed themselves to remaining owned by their savers and borrowers welcomed the move. They said it under-lined the benefits of staying mutual instead of becoming public limited companies, which had to pay dividends to

shareholders. "If Nationwide were a public limited company, we would not be doing this," said Mr Brian Davis, its chief executive. Neither of the two largest lenders responded with a mortgage rate cut, which would have forced the rest of the market to follow.

Instead, both Halifax Building Society - which plans to become a bank next year - and Abbey National, the bome loans and banking group, cast doubt on whether Nationwide could sustain its move to narrow its net interest margin by 0.7 percentage points.

"It's a tactic - perhaps a hit panicky - by Nationwide, as a short-term marketing initiative," said Mr Charles Toner, managing director of Abbey's

"We have stress-tested this scheme," said Mr Alistair Dales, finance director, "We could still make a major acquisition and we could cope even if provisioning for bad and doubtful debts had to rise as it did a few years ago." The increase in Nationwide's

from the start of next month, while the mortgage rate cut will be introduced from the beginning of April. The move in home loan rates is the third time since last

savings rates will take effect

autumn that a large mortgage lender has led a cut in lending rates witbout a reduction in base interest rates. There could be a further cut

in base rates before Nationwide's move takes effect, with economists still believing that the chancellor will be tempted to cut rates later this spring.

UK NEWS DIGEST

'Backtracking' angers brokers

The London Stock Exchange is being accused of backtracking on a recent change to rules allowing greater transparency in share dealing.
Exchange officials have introduced a technical adjustment

on share trade reporting which could negate regulations that came into force at the start of the year.

The adjustment means, for example, that marketmakers trading shares in Shell Transport - a multinational company which also has its shares dealt in New York and Amsterdam will not have to publish details of deals for up to an hour afterwards if the individual trade is greater than 150,000 shares. This compares with an estimated average individual trade of 100,000 shares.

It will apply to other FT-SE 100 companies such as Smithkline Beecham, Enterprise Oil and Cable & Wireless and is regarded cynically by some observers as coming when many of the UK's marketmaking firms are resisting order-driven electronic trading. The stock exchange says that the change is the result of a purely mathematical calculation which occurs every quarter and has no connection with a shift towards greater transparency. Peter John and George Graham, Londo.

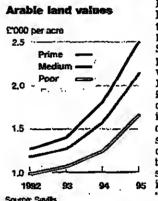
Foreign banks look to London

Foreign banks continued to expand into London last year, with a record 541 now maintaining branches, subsidiaries or

According to statistics compiled by Noel Alexander, a London-based management consultant specialist in banking, 35 banks opened new offices in London last year. They include four Russian banks, which have all opened

representative offices, and four more from the US. At the same time, 15 foreign banks left London, although six of these departures were prompted by mergers of takeovers of the parent bank. Consolidation in the US and Japanese banking industries is expected to continue over the next few years, producing knock-on effects on their representation in George Graham, Banking Correspondent

Farm land prices rise



Farmers are scrambling to buy land, pushing prices back up to 1982 levels in real terms, the Royal Institution of Chartered Surveyors says in a report published today. Farm land values in the last quarter of 1995 reached an average of £5.889 a hectare, a rise of 2 per cent on the previous quarter in what is traditionally the quietest period of the year for sales. Demand more than outstripped supply, even though the amount of land sold was 54 per cent more than 95 in the last quarter of 1994. "Farmland coming on to the

market is being snapped up by farmers as the push to maximise income during one of the most profitable phases agriculture has seen has continued into the winter," said the institution.

Arable land, which is attracting high levels of subsidies from the European Union, is proving the most popular, but demand is also high for grazing land. Alison Mailland, London

Inquiry into tanker salvage



Oil toil; cleaning up west Angle Bay after the oll spillage from the Sea Empress

By George Parker and Charles Batchelor in London

Sir George Young, transport secretary, yesterday announced an inquiry into the operation to rescue the stricken Sea Empress, as he acknowledged for the first time that mistakes may have

In a move which may deflect criticism of his own role in the affair, Sir George told MPs of his "disappointment and frustration" that early salvage attempts had failed.

Labour called on Sir George to resign, and insisted he should have intervened to ensure that powerful tugs were on hand when the

salvage operation went wrong. The Sea Empress was moored at a disused jetty in Milford Haven inlet yesterday as divers inspected its hull and salvage experts began moving additional equipment on board in preparation for pumping its remaining oil cargo into other tankers, an operation which

Devonport dockyard privatisation on track

By Bernard Gray, **Defence Correspondent**

ernment, are on the point of agreeing privatisation of the yard and the installation of facilities to refit Britain's Trident submarines.

Provided a few remaining data revealed a very patchy details are resolved and the plan is accepted by ministers. example, came from the split the sale will be announced in between manufacturing and parliament in the next weeks. In a sign that the negotiations have run their course, Mr Michael Leece, DML's chief about two-thirds of economic output in the UK, showed a executive, resigned yesterday to make way for a new head healthy rise of 0.8 per cent in the quarter. Manufacturing, hy once the dockyard is sold. Mr Leece will remain at DML until privatisation is complete.

In arguing Devenport's case

thought to have made a number of enemies over the last

ment contractor.

Ownership of DML is split equally between Brown & Root, the US contracting engineers Weir Group and cable company BICC, but Brown & Root is to take a 51 per cent shareholding on privatisation.

yard rather than as a govern-

The price for the new Trident facilities is also likely to be much higher than the £236m (\$383m) quoted when Devonport beat Rosyth in Fife

with the MoD, Mr Leece is The final bill for the complex of dry docks and refuelling facilities is likely to be around

> nuclear safety standards have been imposed, and DML will have to bear the risks of cost overruns and of getting a nuclear site licence for the facilities.

However, if ministers reject the final plan, the MoD will be left with no option but to complete the new facilities itself and abandon the sale.

Mr Michael Portillo, the defence secretary is thought to he deeply reluctant to sanction such a retreat from privatisa-

DML, the company which runs the Devonport dockyard in Plymouth, Devon, for the govship with the MoD. Devon-The MoD is likely to argue that port's management also needs to be reformed for a very differsome costs were excluded from the competition, tougher **GUESS WHAT 300,000 INFLUENTIAL RUSSIANS** ent role as full owner of the

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trial production remaining flat. Mixed reasons for higher output

Poor domestic sales are expected to be lifted by exports writes Haig Simonian

Britain's carmakers can-not decide whether to laugh or cry. Prospects **UK** motor industry car production for domestic sales this year are poor, partly because of political and economic uncertainties. Big fleet discounts and lavish retail incentives will be needed to move the metal. Yet whatever the outlook.

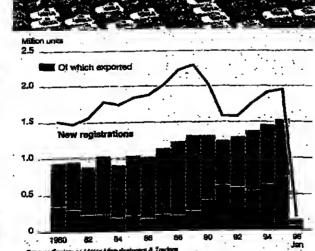
production is rising relentlessly. Output of new cars in January soared by more than 13 per cent to the highest level since the mid-1970s. Production jumped to 135,428

units in January last year. Commercial vehicle output rose by 13 per cent to 19,973, compared with 17,651 units in January last year. Car industry executives are at a loss to explain why pro-

duction surged last month. "It's an extremely good question. We're still looking for an answer." said Mr Mike Hollingsworth, head of policy at the Society of Motor Manufactur-ers and Traders.

The leap has triggered speculation that carmakers may be building up stocks. That could be deliberate, in expectation of

are that high," said Mr Hollings sworth. He doubted that manufacturers were expecting any significant rise in the market this year. The SMMT's forecast is for a modest 1.3 per cent increase to about 1.97m units. SMMT believe carmakers are building up stocks unwillingly. laguar earlier this month inounced a one-week stop-



page to reduce stocks. Others have indicated that they may need to follow suit. Ford has said it may resort to brief short-term working at its Halewood and Southampton plants.

The main reason for January's production surge is exports. Although foreign carmakers have captured a rising share of UK sales, car companies based in Britain have also

been selling more abroad. The main contributors to the higher output and exports have been Nissan, Toyota and Honda. The three Japanese companies now have substantial car and engine facilities in the UK. Their output has built up from scratch to about

500,000 units last year and

should rise to about 650,000 hy the end of 1998. Honda plans to increase output from Swindon to about 110,000 units this year and hopes to reach its 150,000 units target by the end of 1998.

The Japanese carmakers have been using their new plants to supply Britain and continental Europe. Although partly complementing models exported from Japan, much of their production has replaced cars which would in the past have been produced in Japan and which are now uneconomic because of the high yen. Mr Ryuichi Tsukamoto, Honda's managing director of UK

manufacturing, says he hopes

to supply 60 per cent of Hon-

da's UK sales with cars

Mr Tsukamoto has also become responsible for production for sale to the Middle East

and Africa recently, alongside his existing responsibilities for western and eastern Europe. However, the Japanese are not the sole reason for the boom in UK production. After years of shifting ontput to con-

tinental Enrope, Ford and

Vauxball are sourcing more

units from the UK.

from its Swindon plant this year. Exports to continental

Europe have also been rising

Their supply policies have been influenced by several factors, notably Britain's relatively low labour costs compared with continental Europe, and an unusually long period of labour stability.

That has helped to stiract significant investment into plants that might once have appeared doomed. Vauxhall's once-troubled factory at Ellesmere Port now builds Astras for sale as Vauxhalls in the UK and as Opel in a variety of foreign markets.

Ford has decreased its UK car production in recent years, although this has been compensated by greater output of commercial vahicles. Instead, its inveatment has concentrated on new engines at both its giant Degenham site and at Bridgend in Wales.

Last year, however, Mazda, in which Ford has a 25 per cent stake, selected Dagenham to build its new 121 model for sale in Europe. The fact that Mazda opted for the UK was a further sign of the attractions the country now has as a manufacturing base and the likely increase in car production that



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- to manage the Swire Beverages Communications System
- to develop and maintain the overall Swire Beverages information architecture
- to define and promulgate throughout Swire Beverages system development, technology platform, network and operational standards
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For an application form and information pack, please con:act Sian Evans. Recruitment Services, HM Prison Service. Rocm 425, Cleland House, Page Street, London SWIP 4LN. Tel: 0171-217 6483 (offica hours) and 0171-217 6357 (24 hour answerphone). Fax: 0177-217 6612. The closing date for receipt of completed applications is 8 March 1996.

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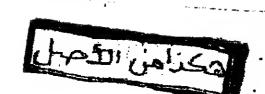
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Robert Hunt +44 171 873 4153 Toby Finden-Crofts +44 171 873 3456 Andrew Skarzynski +44 171 873 4054 JOBS: North American companies are facing new

challenges with their latest crop of graduates

making his own programs. In this case, the recruiter backed a hunch, but some US companies, particularly in the computer sector, deliberately go out of their way to recruit college drop-outs. Michael Dell. founder of Dell computers and Bill Gates, the co-founder of Microsoft, were both drop-outs and neither of them have forgotten this when looking for new recruits.

The unconventional approaches of Microsoft and Dell are highlighted in a comprehensive study of graduate recruitment practices among north American employers. The study, carried out by Yellowbrick, e Glasgow-based coosultancy, looked at graduate recruitment among 21 US and

Canadian employers. Graduate recruitment in some of the top north American companies is becoming increasingly focused end sophisticated. Graduates are also changing, taking a more entrepreneurial stance, ofteo opting for smaller companies

where their jobs might have the opportunity to grow with

The trend is beginning to show up in research. Six years ago, a quarter of new MBAs from New York's Colombia University joined large manufacturers. By 1994 the proportion was down to 13 per cent.

Some bigger companies are responding to this trend by adopting small-company values: shedding bureaucracy. dress codes and rules, providmg variety in job content and opportunities for early responsibility. They are also providing regular input to and from senior executives.

The top gradnates are becoming more selective over their applications, doing their homework and researching target companies. "In this environment, the glossy recruitment brochure - often emphasised in the UK - has a rather limited role to play," says the Yellowbrick study.

Colin Graham, chief executive of Yellowbrick, says that more than 80 per cent of the graduates interviewed for the report were using the Internet to find information about potential employers. Many were also questioning former students about their experiences in specific companies.

Polished skills out in the field

The top three factors influencing graduate decisions were company reputation, range of opportunities and the training programme. Businesses were also becom-

ing more selective. EDS, the computer systems specialist, refocused its recruitment efforts nearly four years ago. At the time it was searching across 500 universities. It narrowed down the field, using a scoring system based on criteria identified by managers. The criteria included past recruiting success, retention of students, ratings hy various guides, the percentage of minority students enrolled at a campus and the cost of recruit-

Just 34 target universities emerged from the exercise, and each was allocated a "campus relations officer" whose first job was to seek out the most influential individual at the university. The officer would then work on educating the

students about the company. Financial contributions, scholarships, running campus events and teaching in classes alongside professors all helped to make the company's pres-

ence felt. Some businesses spoke of selected universities or courses as if they were a private treasure trove. A recruitment manager at Price Waterhouse, the accountancy firm, said: "If you can identify the school or the programme that isn't known nationally hnt the students that are coming out of there are doing very well with us, that's where we want to focus

Other employers have favoured hunting grounds in certain specialisations. Harvard is prized for general management, while Kellogg School et Northwestern University has a reputation in marketing

Recruitment tactics in the US are also changing. Some companies are moving to "just

City

in time" recruitment of graduates to meet immediate staffing needs and to cut down recruitment time and costs. They are also working on their "campus image", improving the way that they are perceived by providing good quallty summer johs or projects. inviting student groups into the company to see how it works and asking recent recruits to make presentations

tudents heve become clued up about the implications of corporate reengineering and are beginning to look at what a joh will offer them in terms of career development over two or three years. The report identified a 'three year itch" among graduete recruits when they often reassessed their careers. Companies needed to talk to young employees about future options at this stage before they looked elsewhere, says Graham

back at their old campus.

issue among graduates. Many are rebelling against increased work expectations, and are talking, instead, about lifestyles. A manager in the Royal Bank of Canada said: "They're not interested in working a 60hour week hecause they've seen their parents or whoever else working that and being chewed up and spat out in the last recession or through

downsizing." The report also looked at MBA graduates, weighting their greater experience and acility to quickly meet the demands of the job against the greater cost of recruiting them and their tendency to move on. It quoted a study of the class of 1974 Harvard MBAs over 20 years which found that, on average, they stayed in their first position for 18 months and with their first employer an average of three-and-a-half years. Many MBA graduates interviewed said they wanted

to run their own business in the medium to longer term. The value of MBAs, therefore, continues to be a hot source of

debate," says Graham. The report, Delivering the Promise, is published by Yellowbrick Training & Development, 11 Lynedoch Crescent, Glasgow G3 6EQ, tel 0141 332 3500, £295.

ow do you monitor the quality of service in an industry when the client who pays for the product is not the consumer? This is a problem for companies seeking to buy outplacement services for employees they are making

Working Transitions, a Northampton-hased human resource consultancy which surveyed more than 700 people who had been made redundant in the financial services sector, found big variations in the levels of satisfaction with different outplacement providers.

The survey also highlighted what people valued most from outplacement. Some 57 per cent of the sample sought assistance with compiling their CVs but little more than a third opted for personal counselling.

This lack of take-up is significant, says Jim Horsted, director of Working Transitions.

because companies pay an ou placement fee which assum that people will use the full service provided.

Jane Bunce, a chartered surveyor who lost her middle management job with the Inland Revenue Valuation Office, was given 20 days outplacement but abandoned the course after two days in the belief she was not getting much out of it. She recalls: They had good facilities in terms of IT resources and access to job advertisements but I think you were very much left to get on with it yourself." Nor was there any eedback or contact from her former employers to check how effective the outplacement had

Horsted says this experience was typical of many in the sur-vey, and organisations "should insist on a metered approach only paying for the services when they are actually used"...

"At present companies are paying considerable sums of oney and are unable to check the effectiveness of what they are providing to ex-employees. Choosing an outplacement pro-vider is a difficult task without comparative data."

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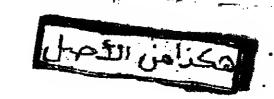
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GERMAN EQUITY **ANALYSIS**

Leading European Investment Bank requires a Trainee Analyst for the German market.

The ideal candidate will be a recent graduate, preferably with a couple of years' work experience in a relevant field, and will be highly numerate and computer literate. A knowledge of accounting would be an advantage. A high level of command of the German language is

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The successful candidate will possess an MBA plus 8-10 years consumer products sales and marketing experience with outstanding leadership skills, including demonstrated success in developing and managing effective distributor relationships. Experience in the CIS strongly preferred and working knowledge of Russian or other European language required. Extensive travel is a must. Some flexibility with location in which position will be based

We offer a competitive compensation and benefits package including incentive plan participation. For consideration, send resume and salary history to:

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Head of Derivatives Operations and Product Accounting

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Reporting to a Managing Director, the mandate is to ensure that the Derivatives business is effectively supported with full responsibility for operations, product accounting, management information, trade processing and settlement.

Key aspects of the role will be to:

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- Ensure effective liaisoo with front office management. Provide strong systems to support business and facilitate robust internal control.
- Be responsible for accounting related to transaction processing and for trading ledger positions linked with the finance function.

Candidates are likely to be graduates, aged 33-45, with excellent presentation and interpersonal skills and a strong commercial focus. Proven man-management and change-management abilities will be supported by a detailed understanding of derivative products and the associated control systems which will have been gained within a high quality investment banking environment.

The remuneration package includes an excellent base salary, bonus and oormal banking benefits. It is unlikely anyone earning less than £90,000 will have the depth of experience the role demands, and the package will not be a limiting factor for the ideal candidate.

In the first instance, please write enclosing a comprehensive curriculum vitae and full remuneration details to Jonathan Williams, Managing Director. or Anne Davis at Michael Page City, 39-41 Parker Street, Londoo WC2B 5LH. Please quote reference 276594.

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position represents a unique opportunity for an experienced risk management professional, currently working in a corporate or consultancy environment, to develop a business, taking advantage of a significant gap in the marketplace. In addition to a strong technical background, the successful candidate must demonstrate considerable general management and strategic skills, together with the ability to interface successfully with clients. Some exposure to the US marketplace would be a distinct advantage

For an exceptional individual, the company is prepared to provide a first class remuneration package, including a full range of benefits. In due course, it is expected that the role will broaden to include continental European activities.

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You will be working in a close-knit, high-calibre ream that meets regularly to share thinking on curreot projects. As with all GE businesses, ECG is setting itself very ambitious targets for growth and we are determined to appoint individuals with the enthusiasm and potential to develop with us. Globally, ECG is already established to New York. Mexico City, London and Hong Kong and we have firm plans for further developments in Europe and Asia. There are also career development avenues into business leadersbip roles with GE companies worldwide.

We are keen to talk to investment professionals at various levels of seniority: salary will be negotiable within generous limits to reflect your knowledge and track record. However, you should have an MBA and substantial, successful experience with a development capital house, an investment bank or a similar enterprise. We are particularly keen to hear from people with the market knowledge, language skills and cultural flexibility to operate effectively across Central and Western Europe.

To apply, please write with a full cv, including details of current salary, to Kathy Woodhouse, Human Resources, GE Capital Europe Limited, Clarges House, 6 - 12 Clarges Street, London WIY 8DH, England.



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and further details Toby Finden-Crofts on +44 171 873 3456

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The successful candidates will be required to analyse and rate corporates, banks and other financial institutions in a range of emerging and developed markets.

Ideally you will have secured a numerate degree, and/or an MBA, coupled with experience of financial analysis gained within a major Commercial or Investment Bank. The work is extremely varied and requires a combination of analysis and presentation skills.

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> Jonathan Wren & Co Ltd, No 1 New Street, London EC2M 4TP Telephone 0171-623-1266 Facsimile 0171-626-5257



Ref: P30135

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Our client, a major USA investment bank, is seeking an experienced (3 years +) credit manager, to take responsibility, in Frankfurt, for the firm's activities in Germany, Austria and Switzerland.

Responsibilities will include ratings advisory, capital structure, "debt-analysts" related functions. analysis of trading counterparties and assisting in the management of clients credit risk. Additionally candidates must have the ability to assume product manager responsibilities for one of the many trading products handled in Europe and become involved in a variety of broad-based risk management

Educated to Degree/MBA level you will have strong analytical skills, fluency in German/English, and good knowledge of the investment banking industry. Interested candidates should send a copy of their cv to Ron Bradley, Director. All enquiries will be treated in strictest confidence.

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The ASIAN DEVELOPMENT BANK is an international development finance institution stablished to foster economic development in the Asia Pacific region. The Bank is based in Manila, Philippines, and is owned by 56 member countries from Western Europe, North America and the Asia-Pacific region. Nationals of the Bank's member countries are being sought for the following positions:

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The incumbent, who will report to the Assistant Treasurer, Funding Division, will be responsible for assisting in the management of the Bank's annual funding operations in global and regional markets as well as assisting with the strategies in managing the Bank's outstanding liability and swap portfolios. He/She will also be responsible for transactions which involve interest rate and currency liability swaps and other derivative and risk management features. In addition, the incumbent is expected to participate in missions to market the Bank's AAA credit to investors, press and rating agencies as well as to respond to, and anticipate, rapid market developments, new evolving trends and innovations in financial technology. He/She is also expected to possess understanding and/or extensive experience in: the structure and functioning of major capital markets (cash and derivatives); underwriting, distribution and trading of fixed income securities in major capital markets; treasury risk management concepts; investment practices and assets preferences of institutional investors and fund managers; and concepts of financial mathematics as well as familiarity with modern information technology

TREASURY OFFICER (Financial Policy) (Ref. No. 96 - 07)

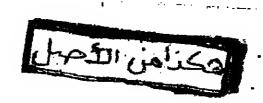
The incumbent will (i) undertake analyses and research relating to the Bank's financial policies and ions, as well as studies on alternative financial policy options and their implications; (ii) prepare or participate in the preparation of papers and studies on financial policy questions relating to both ordinary and special operations of the Bank; and (iii) design and develop new loan products together with the necessary risk

The successful candidate should have a University degree in Accounting, Banking or Finance. A postgraduate qualification in any of these disciplines or in Business Administration would be an advantage. The candidate must have at least three years of work experience in financial planning and accounting. The candidate must be highly self-motivated and must demonstrate a high degree of quantitative skills as evidenced by previous work and/or academic related experience and achievements. An adequate knowledge of relevant computer

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Interested persons may either send their curriculum vitae to HUMAN RESOURCES DIVISION. ASIAN DEVELOPMENT BANK, P. O. BOX 789, 0980 MANILA, PHILIPPINES, or alternatively. fax directly to (63-2) 636-2550 / (632) 636-2444 not later than 6 March 1996.



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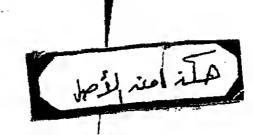
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For a confidential discussion please contact Patrick Morrissey. Telephone 0171-236 2400, Fax: 0171-236 0316 or apply in writing to Sheffield-Haworth Ltd. Prince Rupert House, 64 Queen Street, London ECAR IAD.

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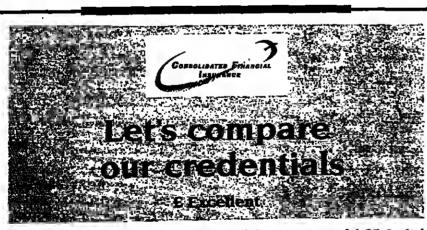
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We are looking for a person with at least two years' experience of operating in fixed income markets. The successful applicant will probably be a graduate and have, or be aiming for, a further appropriate qualification.

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You will be responsible for checking and entering all details of Investment transactions on the investment and custodian systems. This will include maintaining standing data and reconciling CEDEL to HI Portfolio. In addition, you will be controlling and processing all transactions on the CEDCOM system.

You must have at least 2 years' experience in a settlements/custodian department, and ideally knowledge of HI Portfolio and CEDCOM system and procedures. An excellent

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Sumitomo Bank

Banque Paribes

BACOB Bank SC

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WGZ Bank Luxembourg S.A.

IMI Bank Luxembourg S.A.

Trinkhaus & Burkhardt Internatio

Landesbank Scheswig Holslein

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Texas Commerce Bank The next examination for the ACI Diploms will be held on Monday June 10th 1996

Please see Rauters pages FALZ, ACII or Telerate 3833 for information, or call the The ACI Institute on 0171 525 4077 for an information pack. Filing Briain Green at the Forex Secretarial tel: 01504 864759 for details of training courses available in London.

HEAD CHIEF

required.

Must have experience in Thai Cooking. Salary commensurate with experience. Accommodation available.

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established partnership for new to market graduates and experienced City players. For confidential discussions.

call: John Kilburn-Toppin 0171 240 4942 or Richard Allen 0171 379 5044

ASIAN SECURITY ANALYST

Chicago based firm is seeking an equity analyst to cover the Asian Markets. The ideal candidate will have an MBA or CFA and at least two years experience in this region. The ability to work independently, review by the portfolio manage and be quick-minded are essential. Please send resumes to: Joan Dutton Associates, 351 Forest Rd., Hinsdole, IL 60521. FAX: 708/325-7778. EOE.



Czech Telecom SPTwe make it happen!

Swiss Telecom PTT and its opposite number in the Netherlands (Dutch PTT Telecom) have acquired a significant shareholding in Czech market leader Telecom SPT. We are looking for managers and qualified project team members in the following

Development and Operation of Networks Information Technology Marketing

Finance

Personnel Management

Challenge
We wish to move ahead quickly with the technical, entrepreneurial and commercia modernisation of the Czech network. This will entail supporting Telecom SPT during the Introduction of new services, and transforming it into a customer-orientated orga along modern European lines. The long-term objective of this partnership is to make the Czech Republic an important telecommunications location for Eastern and Central

Qualifications To fulfil this demanding task we are looking for people to work on the project in the Czech

- possess good written and spoken command of German and English (Czech desirable are adaptable and tenacious persons of integrit who work well in a team and are able
- have experience of working on a project in another country and in a multicultural have several years' experience in the telecommunications industry

Application Are you interested? Please reply with tull details.

quoting Ref. TI-OP/STP, to: Telecom International Lindenhofstrasse 1 3048 Worblaufen

Your best Connection

Electronic Media Event Marketing

We are launching a break-through electronic media technology for different advertising applications in live event broadcasts. Our clients are major international companies in the brand consumer and durable goods industries and financial services. To build this new business together with our worldwide affiliate marketing group we are seeking the following persons at our new operations in Amsterdam (NL):

GENERAL MANAGER

The candidate will have successfully managed a fully integrated international sales/marketing organization for brand consumer/durable products. With his/her background in brand product marketing, the candidate can effectively integrate client sales/marketing needs with technical and product servicing requirements. Care for effective planning, accounting, control systems and back office operations demonstrates his/her understanding of the Importance of these functions,

Candidate is 37-45 years old and fluent in English. Knowledge of French, Spanish or Dutch would be advantageous.

MANAGER

The candidate has sales and client account management experience in brand consumer/durable goods Industries. He/she has solid marketing and organizational skills to develop and supervise a multi-country brand sales & distribution network with local affiliate operations and/or with Interested independent parties. The network will consistently market the electronic media systems in different countries for application in local event broadcasts.

Candidate is 30-37 years old, fluent in English and with good knowledge of French, Spanish or German.

> We offer a very competitive remuneration package. Please send complete documentation to: Chiffre - Nr H212-80887, Ofa Oreli Fussli Werbe A6.

Postfach 4638, 8022 Zurich/Switzerland.



INTERNATIONAL FINANCIAL EDITOR

The retirement of our founding Editor in April 1996 creates the opportunity for an experienced business journalist to succeed him.

The Editor reports directly to our Managing Director and has responsibility for the content and quality of our services. Successful candidates must have relevant experience in newswire services or daily newspapers and the following attributes:-

 A track record in recruiting, training and assigning financial journalists. The ability to maintain the highest standards of editorial integrity and journalistic expertise.

 Experience in managing a large central newsroom and overseas bureaux and in controlling editorial costs. Fluency in English, French and if possible German.

 Experience is working with Marketing and Technical management to enhance and develop services and embrace new technologies. AFX News Limited is a joint venture of Financial Times Group and

Agence France-Presse, the Paris based world news agency. Our services include real time financial newswires oriented towards equity markets across Europe and the Pacific Rim.

AFX News Limited is an Equal Opportunity employer. We offer a substantial salary consistent with experience and qualifications, free private medical insurance, a contributory pension fund and five weeks holiday per calendar year.



Application by letter or fax, including CV, to the Managing Director, AFX News Limited, 13 - 17 Epworth Street, London EC2A 4D1. or Fax 0171 251 1615



European Sales Executives and Researchers

professionals to join our international toam based in London.

Selse Executive
E. territories should be conseptemental and good orientated, per
social anothers, strong communications skills and languages wo
Travel will be an essential part of these roles.

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instess with language skills including German. Potential candid
at computer literate. Previous research experience would be an
Please send your C.V. stanked "Research" or "Sales" for
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34 Newson Street, London WIP 3LP

BUSINESS ANALYST

Major Strategic Change

A molti-national, blue-chip Group, our client is a leading brand name in the provision of consumer goods and services with operations in the UK, continental Europe, North America, Australasia and the Far East. As a result of a major reorganisation, driven by exciting strategic change, this role has arisen at its Head Office.

As a key member of this high profile financial planning and analysis function you will have substantial

West/South West London

 Co-ordination and development of budgeting and planning processes. Liaison with business units in review of performance and forecasts.

Investment appraisal, corporate acquisitions and divestments.

Business modelling, strategic planning and competitor analysis.

c£40,000 pa, Car. Benefits These responsibilities will be varied and broad with exposure at the highest levels. To respond to these challenges you will be a qualified Accountant with stroog commercial experience obtained within a blue-chip background, ideally retail, fracg, or a related sector.

A team player, with excellent communication and relatiooship building skills, you must be able to comprehend, analyse and present complex business issues concisely and credibly. Likewise energy, a sense of humour, excellent modelling and time management skills are vital. The opportunities for the successful candidate are significant, but the demands will be equally great.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref. HKW/15867/FT.

£40.000 to £45.000 car/benefits

Analysing manufacturing variances such as efficiency,

A pro-active qualified accountant with costing systems

effectively with non-accountants and production staff

A "hands-on" individual with the ability to work

Skilled in analysing and upgrading systems.

experience gained in a quality manufacturing environment.

Managing inventory and cash in an international

purchasing environment.

Hoggett Bowers

"Outstanding career opportunities for ambitious European Finance Professionals to influence the strategic performance of a leading US Fortune 200 Corporation in Europe"

EUROPEAN FINANCIAL PROFESSIONALS

Excellent ompensation & Benefits Package

Relocation

Our client is a premier global consumer products corporation renowned for a portfolio of internationally branded goods. The Company is committed to a policy of shareholder value growth through core business development, brand innovation and product excellence. As part of a complete restructuring of its financial support processes and organisation within the high growth European region, opportunities now exist for ambitious financial professionals. Successful candidates would be based initially in the U.K., with the potential for future relocation to other positions throughout Continental Europe.

The company is looking for financial managers who can demonstrate leadership qualities, technical excellence, commercial acumen and sensitive but persuasive inter-personal skills.

These appointments will provide outstanding career platforms in international financial and business management and require accomplished communicators who are able to contribute and perform in a challenging, fast moving business environment.

Successful candidates will be graduate Accountants/MBAs, with an impressive record of professional achievements and an interest in influencing change and contributing to the decision making process of a prestigious multi-national company.

Fluency in English and one or more European languages, drive, ambition and the willingness to relocate within Europe or overseas will be of equal importance to further develop your career in this prestigious global organisation.

For further information and a confidential discussion on these outstanding opportunities contact Mark Stewart, advising consultant to the company on (44) 171 209 1900 (days) or (44) 1256 810266 (after 8pm GMT) or write to him at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, United Kingdom. Alternatively fax on (44) 171 813 9479. (Interviews will be held in the UK and Continental Europe).



Financial Controller

Electronics Manufacturer

East Anglia

The Organisation

 The U.K. subsidiary of an established international group, our client is well known as a leading manufacturer of branded high quality products.

 A unique opportunity has arisen to join the new management team which is focusing on profit and cash management in order to continue the current phase of expansion and reorganisation.

- Working closely with the Managing Director to develop and enhance the organisation's manufacturing, accounting and MRP systems. In addition, to make the best use of P.C. based technology.
- Controlling a staff of twelve, providing management information for commercial decision making paying

particular attention to cost of quality issues.

With the potential to progress in a fast expanding, changing environment. In the first instance, interested candidates should contact John Silk on 0171-831 7393, alternatively send a curriculum yitae, quoting reference no 3085 to:



Executive Recruitment Services Pannell Kerr Forster Associates New Garden House 78 Hatton Garden London EC1N 8JA

annell Kerr torster Associates ANAGEMENT CONSULTANT

City

CORPORATE FINANCIAL CONTROLLER c.£40,000 + Benefits Brussels

ORIFIAME International S.A. is a leading UK listed FMCG cosmetics multinational operating throughout Western and Eastern Europe and North and South America. Year after year the company has enjoyed huge increases in profit and, with a group turnover in excess of £90 million, has increasingly won market there. Due to an internal promotion, and with European turnover projected to double within 4 years, an opportunity has arisen for a Corporate Financial Controller to join their head office based in Brussels.

THE COMPANY

- Holding company for international group specialising in the manufacture and marketing of connetic and beauty products through direct sales
- Dynamic FMCG culture
- Aggressive worldwide expansion programme
- UK stock exchange listed

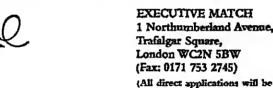
THE PERSON

- ACA or ACCA qualified aged 27-32
- 2-5 years pee from practice or commerce ■ Excellent technical accounting experience
- Strong interpersonal sicilis
- Knowledge of French or Spanish an advantage but not essential. O/395 to them at:



- Responsibility for the preparation of group financial and management accounts for worldwide business operations
- Supervision of treasury function
- Operational review of subsidiary systems and controls
- Planning and forecasting ■ Travel (up to 20%) to multinational operating units
- Management of a small team Outstanding, fast track international career prospects.
- Please contact our advising consultants David Howell

or James Heath at Executive Match on 0171 872 5544, or write enclosing your Curriculum Vitae quoting reference



(All direct applications will be forwarded to Executive Match

Financial Controller

Major New Reinsurer

Significant Salary

Role for exceptional individual to set up and run financial reporting for this high profile and complex business. The stakes are high, the challenge tremendous.

THE COMPANY

THE POSITION

Equitas is the company being set up to reinsure all Lloyd's of London 1992 and prior liabilities. It will become one of the world's largest

 Set up and run financial reporting function, establishing control systems, checks and balances for complex, large volume transactions. Build small, high quality team.

 Develop and monitor financial policies and standards. QUALIFICATIONS

◆ Outstanding senior financial officer. Keen 10 work in performance-driven environment.

 Must have UK insurance/reinsurance background and thorough knowledge of DTI regulatory framework.

The authorisation of Equitas is subject to DTI approval.

Please send full cv, stating salary, ref FS60203, to NBS, 10 Arthur Street, London EC4R 9AY:





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WELSH WATER PLC

Corporate Planning Manager

c.£70,000 + Benefits

Cardiff

Paris

Important role within major plc to assist Board in making key business decisions.

THE POSITION ◆ Report to Group FD. Provide sophisticated business planning and analysis capability. Produce corporate business plans and reports.

 Monitor competitive positioning. Analyse market dynamics, liaising with professional advisers, internal teams and Executive Board.

 Conduct thorough financial reviews and due diligence. Advise on investment proposals. Investigate variances. Develop support team ◆ Negotiate corporate finance transactions in relation to

both UK and International project finance.

QUALIFICATIONS

◆ Good degree. ACA. Candidate would need to have senior level experience, gained in both utility and nonutility environment.

◆ Strong technical grounding in finance and business. Detailed knowledge of recourse and non-recourse project finance for infrastructure investments.

Clear thinker. Thorough, structured approach. First-class presenter. Credible. Ability to liaise effectively at

Please send full cv, stating salary, ref Bl602A3, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB





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Finance Manager

Quoted Multinational Group

c.£35,000 + Car & Benefits

Lyon, France

Commercial role, ideal for recently qualified accountant, to lead finance team of newly-established French subsidiary.

THE COMPANY

- Major division of diversified international manufacturing and distribution group.
- ◆ Divisional t/o c.£300m. Profitable. UK HQ for European operations. Growing French presence.

 Leader in sale, lease and service of high-tech materials
- handling equipment. Committed to quality. THE POSITION Full responsibility for financial management, including
- statutory and managerial reporting, of £10m t/o French operation. ◆ Lead and motivate small finance team. Liaise closely with commercial managers. Part of senior
- Drive upgrade of reports, procedures and controls to meet Group standards
- Anticipate two years in France; post in UK on return. QUALIFICATIONS
- two years' PQE. Ideal first move after qualification. Fluent French speaker.
- · Experience of working to French accounting standards, possibly gained on secondment.

· Flexible, hands-on team player with credibility and presence to liaise across organis





Please send full cv, stating salary, ref SL60206, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SLI 2ER

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Audit Manager

Unique opportunity for experienced manager to gain overseas experience

FF 450,000

in Big Six firm, co-ordinating international audit assignments, THE COMPANY

 World-leading professional organisation. Big Six. Profitable and successful. Rapidly developing its business in France.

THE POSITION Report to Partner.

 Lead audit teams, ensuring assignments are completed on time, profitably and within budget. ◆ Liaise with client across a range of industries,

particularly insurance, industry or banking.

Co-ordinate international audit assignments on behalf of French multinationals.

QUALIFICATIONS ◆ Age 28-33. Good degree with professional qualifications gained in major audit firm.

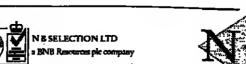
Strong commercial awareness.

◆ Up to 3 years' post-quelification experience in

Participate in commercial and business development.

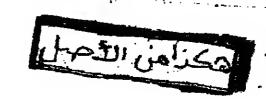
industry. Excellent grasp of UK accounting terms. Fluent French

Please send full cv, stating salary, ref FT-60202, to NBS, 44 Rue du Colisée, Paris 75008, France





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Richard Doub

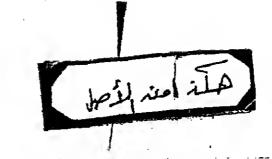
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Price Waterhouse



EXECUTIVE SEARCH & SELECTION

Financial Controller

A key role at the heart of entertainment management

c.£45,000 + car + benefits West London

About Us

We are a lively and successful management company in the music and entertainment business. With a small team based in West London, we look after the professional activities of entertainers within the music business, including much of their financial affairs.

The role

This involves heading up our accounting team to ensure effective financial management throughout the group, providing financial management reports to help us run our business effectively. There will be particular emphasis on cash flow management and personal tax initiatives and effective handling of royalty accounts. Financial forecasting will also be an important part of your role as will effective monitoring of contract payments.

Your experience

This is a professional accounting role and you will need to be a qualified accountant (probably Chartered) with at least 5-10 years post qualifying experience. You will have in depth experience of commercial accounting. including statutory accounts and personal taxation and staff management. The ideal candidate will also have an

understanding of royalty accounting, although if you have all the other qualities, this is not absolutely essen-

Your other qualities

Experience apart, you must have a lively, but diplomatic personality - you will be dealing with a variety of people and personalities. You will be confident, robust and tenacious. You should be motivated towards making things work better and take a pride in your work.

Interested?

If you feel you are ready to take on a fascinating and exciting role at the heart of the entertainment world, please write to Maggie Hennessy, quoting reference B/1628 with your CV and telling us a bir more about you as a person and why you feel you match this requirement.

Executive Search & Selection, Price Waterhouse, No 1 London Bridge, London SE1 9QL. Fax: 0171-403 5265.

Price Waterhouse



EXECUTIVE SEARCH & SELECTION

International Tax Manager

Europe, Middle East & Africa

c.£65,000 + car + benefits M40 Corridor

We are an established developer of fully integrated software whose primary focus is to help customers solve their business system problems with an appropriate combination of software products, working solutions and professional consultancy services.

Over our 18 year history, we have recorded 50% annual growth, and are determined to "manage" future growth at 25-30% pa which should take current revenues of \$400m to \$1bn by the year 2001, through hoth organic growth and periodic acquisition. A particular aspect of that growth has been our service to international clients, especially in Europe - hence the creation of this new role.

The rapid growth of the Company and the expansion of our European Operations now demands the need for a streetwise and experienced International Tax Specialist with exceptional commercial acumen. Reporting directly to the Worldwide Director of Taxes in the US, the role will also have a dual reporting line to the European Director of Finance and be based in the UK along

Key responsibilities will be:

- Compliance timely tax compliance for our European operations, management of tax audits, implementation of tax reporting and accounting procedures, and management of outsourced tax advisers as appropriate Operational Decision Support - to European
- Management team
- Planning participate in development of global tax strategy and ensure that operational planning fits/supports that strategy

Essential requirements are excellent communication skills; the ability to articulate issues and options rather than problems; and a sleeves up approach to problem solving and local tax comphance.

Our corporate goals are to maximise customer satisfaction, make a tair profit and have a heart for our employees. To that end, we have a strong and distinctive culture which we wish to maintain, and a single minded commitment to customer satisfaction across all areas of our business. Working in small groups, the role demands flexibility and teamwork, and liaising across departmental boundaries. Being part of a winning team will be more important than job titles and corporate

Ideally, with a big 6 background, you are 2 senior International Manager or may have already made the first move to a corporate role, preferably in the Software/IT

If you think that you can identify with this kind of environment and have the necessary skills and experience to make a telling impact in this role, please write with full details and in total confidentiality to Hamish Davidson, quoting ref H/1627.

Executive Search & Selection, Price Waterhouse No 1 London Bridge, London SE1 9QL. Tel: 0171-939 5312 Fax: 0171-403 5265

Price Waterhouse

EXECUTIVE SEARCH & SELECTION



Finance Director

Work at the forefront of international services

c.£55,000 + car + benefits Surrey

Our task and principles

As a major supplier of goods and services throughout the world, we combine commercialism with the principles of transparency. We provide a range of services to many overseas countries from procurement to distribution and from training to investment management. Our reputation for integrity is vital.

The role

Working closely with the Managing Director and other Board members and senior management, you will head up a small team responsible for financial management and control throughout the organisation. From statutory accounting through to management reporting and taxanal scrutiny.

What we seek in you

We are seeking a qualified accountant, who has already reached a senior level in financial management within a major organisation with experience of both project accounting and cash flow management. You will need to have proven experience of developing and coordinating effective and controlled financial and management inforsystems, including using computer

technology for modelling and information needs. A record of successful management and development of staff is essential. It would be helpful if you have experience of freight forwarding or logistics management and international experience and may have worked overseas in the past. Experience of governments and international development agencies would be an advantage.

Providing you have all the experience and qualities we seek, we will not be discriminating against those who are more mature. However, we are demanding energy and commitment and you must be adaptable. You will be dealing with a wide variety of people and will need excellent communication skills to do this effectively.

The next step

If you feel you have the experience and qualities we seek, write to our advising consultant David Hunter, quoting reference L/1631, with your CV and tell us why you believe you are the person we seek. Executive Search & Selection, Price Waterhouse,

No 1 London Bridge, London SE1 9QL. Fax: 0171-403 5265

Finance Team Leader -SCALA Implementation

BASED ST. PETERSBURG/MOSCOW/RUSSIA

Building on a substantial US\$ multi-million investment into the dynamic and exciting consumer goods market-place, this US\$3 billion multinational organisation is placing a visionary commitment to Russia and the CIS in manufacturing, sales and distribution of leading global and local brands. A multi-discipline implementation program of fully integrated financial software and hardware will facilitate accessing vital management information.

LISIGNERONG POPULOGAND LOCAL MARCHINE HENESE REPORTED

Leading a pignty implyated and qualified team of SCAFA finance land. It specialists you will manage the implementation of the project lands the vast majority of SCAFA modules available. Preferably you will be qualified accompant with a implimition of 5 years experience with sound. Western, GAAD and ideally Russian account the knowledge. This experience will be combined with a solid understanding of commercial information, the

With an unlimited "ideas and solutions" oriented approach and the drive to get projects completed above expectations, you will be a catalyst to motivate and guide others. Career development for the highest calibre



Please send a full resume with covering letter quoting ref: FTT0196 to:

Afice Court, 116 Putney Bridge Road, London SW15 2NO, Tel: +44 (0) 181 874 2744. Fax: +44 (0) 181 871 2211.

ANTAL MOSCOW: Moscow 121170, PO Box 79, Tel: +7502 222 1468. Fax: +7502 222 1467

All applications will be treated in the strictest confidence.

ANTAL INTERNATIONAL

'Serving New Europe'

BUDAPEST . LONDON . MOSCOW . STOCKHOLM . WARSAW. PRAGUE

ZENECA **Specialties**

Business Controller

Netherlands

Substantial Executive Package

Zeneca Resins is a highly successful international business within Zeneca Specialties - part of the major bioscience group Zeneca plc. The business is a leading supplier of high performance resins for the surface coatings, inks and herives industries, worldwide. They are well placed to take advantage of market opportunities and now seek to appoint a high calibre Business Controller.

Reporting directly to the Business General Manager, you will assume full responsibility for all financial and nagement reporting and the further development of ment information systems and controls. You will be a key member of the management team and will be expected to provide advice on global business strategy and mmercial direction, as well as strong financial leadership throughout the business, which has major locations in the Netherlands, US, UK, Spain and

Candidates, probably aged early to mid 30s, will be graduate qualified accountants who can demonstrate a high degree of commercial acumen, gained preferably in an industrial sector, along with strong technical ability. In addition, you will need to show evidence of an international outlook and an innovative approach, coupled with the interpersonal skills and maturity to make a significant contribution to the future success of

This role is perceived as a significant career opportunity and the successful candidate will have access to the wide career development options available across the Zeneca Group. Interested candidates should send a comprehensive curriculum vitae to: John Phillips ACA at Michael Page, Clarendon House, 81 Mosley Street, Manchester

M2 3LQ or by fax on 0161 236 6961, quoting ce number 272793.

Michael Page International International Recruitment Consultants

London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

THE TOP OPPORTUNITIES SECTION

for senior general management positions. For advertising information call:

Robert Hunt 0171 873 4095 **Toby Finden-Crofts 0171 873 4027** Andrew Skarzynski 0171 873 4054

FINANCIAL CONTROLLER This leading logistics company is part of a major UK Pic and is at the forefront of the distribution industry in Europe. Utilising advanced systems provided by an in-house computer software company, they are well poised to exploit their prime position by further acquisitions and organic growth. Employing over 1600 employees throughout France their clients include some of the most prestiglous international and European companies.

The Opportunity

In this new position you will work closely with the General Manager of the largest of the two operating divisions providing commercial and financial advice to the profit responsible managers. Your input on budget preparation, variance analysis and profit forecasts will be invaluable in identifying commercial trends and further strengthening the company's leading position. Travelling extensively throughout France you will be seen by the managers in providing added value to the organisation in the provision of valuable management information.

Paris

Your Future

Fluent in French and English, you will have at least five years' commercial. experience in a leading international company. You will demonstrate maturity together with an innovative approach to problem solving and be able to quickly gain the respect of the management team. Previous exposure to the distribution/logistics sector will be an added bonus. Relocation package available together with a generous bonus scheme.

Hays Executive STRATEGIC SEARCH & SELECTION

Interested candidates should forward a detailed CV in English together with a covering letter demonstrating how you meet the above criteria to Neil Holmes, at Hays Executive, 141 Moorgate, London, England, EC2M 6TX. Tel: (44) 171 256 5849, Fax: (44) 171 638 7509.

Senior Finance Professionals

Major UK FMCG Group / West London

This major RMCG based organisation has an impressive portfolio of premier brands. A UK leader in a fiercely competitive and ever changing marketplace, it continues m embrace a strategy of substantial investment in the development of new and existing products. Forming part of a household name UK Group, turnover exceeds £400m.

Two opportunities now exist for experienced, ambitious finance professionals to join key areas of the business. Both positions will report directly to the UK Finance Director and should be viewed as entry points into a constantly evolving environment.

A qualified accountant aged to 35, you will have gained an impressive record of commercially-focused achievement within a blue chip FMCG organisation. You are committed, energetic, tenacious and capable of working in an environment that is characterised by a competitive sales and marketing culture.

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- in Europe, but later further afield Committed to developing role to meet the needs of the business
- Team player

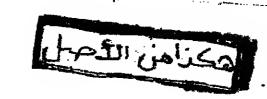
The position offers an opportunity to work for a dynamic international organisation, with wide ranging and interesting scope of work and significant future prospects for personal development.

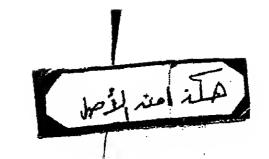
Letters of Application, together with CV, should be sent to: Tom Forster, Human Resources Manager, Employers Reassurance International Limited, Portsoken House, 155-157 Minories, London EC3N 1BU.

Prospective applicants who wish to discuss the posts informally in the first instance should telephone Hans-Jorgen Andresen, Chief Internal Auditor, on 00 45 33 979408.



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THE PROPERTY MARKET

wedish investors fea-tured prominently throughout Europa in tha run-up to the last property crash. Deregulation allowed hanks and insurance companies to invest outside Sweden for the first time in 1988: fund mangers made full use of their freedom, often with disastrons consequences. But while the Swedes lost billions of kroner in property

over the past eight years, thay have not retreated to the relative security of Stockholm. Skandia, the largest Scandi navian insurer, this week announced the acquisition of

two adjacent buildings in Han-over Square, in London's West End. for £21.3m (\$32.9m). More importantly, the deal leaves the way open for a pos-sible £60m to £70m redevelopment of the site to create a new 100,000 sq ft building.

Last month, AP Fonden, the Swedish national pension fund, acquired 6-7 Clifford Street, also in the West End, and will financa a substantial office development by Pillar, the UK property company.
The fund, which last year

paid £76.5m for Milton Gate, a City office block, says that it still has an appetite for central London property investments.

The deal which typified the first wave of Swedish investment was the acquisition in

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1990 of London & Edinburgh Trust for £491m by SPP. The Swedish insurer paid heavily for its poor sense of timing, culminating in LET's £400m loss in 1992. But the most prominent sites in the old LET development portfolio are now coming back to life.

IPD monthly index for January

based at Dec 86 = 100

All Property 231.65

Total return (quarterly movement) 96

Swedes stick with London

Simon London on a new wave of Scandinavian investment

erty arm.

abroad has also changed, says

Mr Matthew Bolton, managing director of Skandia's UK prop-

During the first wave of

investment Skandia, in com-

mon with most other large

insurers, invested a large pro-

portion of its shareholders'

funds in property. The hope

was that above-average invest-

ment returns would boost the

arising from life insurance pol-

icies sold in Sweden and over-

seas. Investment objectives

have swung in favour of

overbaul of its UK property

portfolio in the next few years

to reflect these objectives.

Many of its existing properties,

attributable to shareholders,

The Sheraton Skyline Hotel

of last year for £36m. Skandia's

biggest investment, the 100,000

more positive note than 1995,

with the IPD all property rate

of total return increasing from

0.3 per cent in December to 0.6

The gradual outward drift

in property yields appears to

ba slowing. In consequence,

capital values declined by

only 0.1 per cent in January, against a fall of 0.4

per cent the previous month.

in the rate of capital decline

was in the office sector, with

values falling by 0.2 per

cent compared with a

retreat of 0.8 per cent in

Rental value growth across

the market has once again

The most marked reduction

per cent in January.

Good start to year

This year has started on a turned positive, to 0.1 per cent

Skandia plans a thorough

long-term gains.

are likely to be sold.

oday, property invest-

ments are being made

mainly to match long-term liabilities

performance of the shares.

SPP Investment Managemeot, as LET is now known, is part of the consortium developing Spitalfields, the large site on the northern fringe of the City of London.

In Birmingham, SPP is pressing ahead with plans to redevelop the Bull Ring, in what could be one of the UK's largest retail property

Bot while the cast is familiar, the investment style has changed. Joint ventures and risk-sharing are favoured over the hold acquisition-led strategies of the 1980s.

SPP has indicated that it is likely to approach the Bull Ring scheme in a joint venture, probably with Hammerson, the large UK property company. Talks between the two sides, which started last summer, are at an advanced stage.

AP Fonden's deal with Pillar in Clifford Street is another example of risk-sharing. Arcona, the Swedish prop-

erty and construction company, is also active in the West End, developing huildings near Heathrow Airport, was sold to ITT Sheraton at the end through joint ventures with UK institutional investors. The rationale for Sweden's

sq ft office building at I-4 Cockinsurance companies investing spur Street, close to Trafalgar

Jan Change over 1996 fast month

322.89

1995

+1.35

+1.32

Square, will probably go the

ame way. But Skandia is keen to invest more of its policyholders' cash in international property. The Hanover Square acquisitions cess. A further £100m is likely to find its way into the UK property market over the next two to three years.

Not all Swedish property

owners are still huying. Secu-rum, the state-backed holding company set up in 1992 to hus the distressed assets of Nord-bankeo, is gradually liquidating its property holdings.

This week Securum sold a retail and office building at 32-33 Old Bond Street to a German investor for £13m. It also announced its intention to sell its 100,000 sq ft Friars bridge office complex, close to Black-friars bridge, and hopes to raise £33m from the disposal. Other assets such as the

futuristic Ark huilding in Hammersmith, west London. which was recently let to Sea-gram, the Canadian drinks and media group, will also be sold But Securum is different

from other Nordic property owners. Its role was always to extract value from assets and pay back as much as possible to Swedish taxpayers.

The London market, in par-ticular, should be thankful that long-term Swedish investors did not abandon international property altogether after their painful first few years. With many UK funds

increasingly disillusioned with bricks and mortar, the market needs all the participants it

in January, after the slight downward blip at the end of

However, the improvemen

in last month's figures had

The total return for the 12

months to January remained

unchanged on December at 3.2

per cent. The year-on-year rate of capital growth has also

remained unchanged at minus

Rental value growth

improved slightly, recording

minus 0.2 per cent for the 12 months to January,

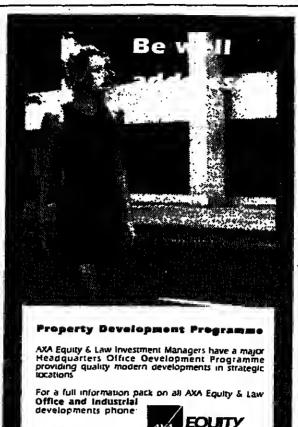
against minns 0.3 per cent for the period to

made little impact on the lon-

ger term performance.

4.7 per cent.

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MANAGEMENT

t is still fashionable in legal circles to talk about City of London law firms as being unmanageable and to blame the partnership structure.

"It's a bit like trying to run a PLC with all the shareholders standing in your office," says Geoffrey Howe; macaging partner of Clifford Chance, the UK's largest law part-

While the continuing commitment of the leading firms to the partnership ideal contradicts such statements, they are not made entirely in jest.

Back in the mid-1960s when the maximum number of partners was limited by legislation to 20, management by consensus was still practicable. But as law firms began to grow dramatically in the 1970s and 1980s and competition increased, the weaknesses of partnership conservatism, slowness of response and decision taking - forced them to adopt corporate management systems within the partoership; structure.

"It became necessary to effectively disenfranchise partners on management decisions," says Bill Tudor John, senior partner of Allen & Overy. "Management by committee had become unworkable."

Most firms agree that there is no law firms. But a pattern has

The partnership as a whole remains the supreme decision taking body, but the issues on which all partners must vote have heen substantially reduced. Partnership votes tend to be confined to the election of new partners, profit share and changes to the partner ship deed, although some firms still require a full vote on significant capital expenditure such as new premises or the opening of overseas

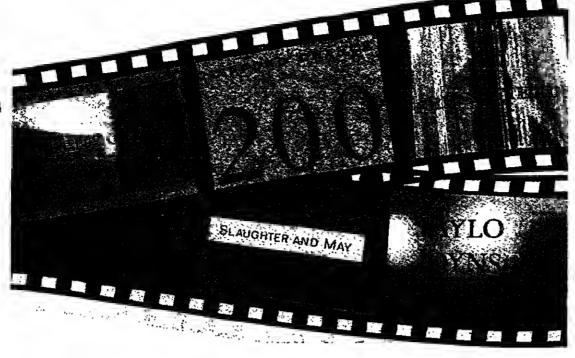
Below the partners is the partnership board or council usually chaired by the senior partner, with the managing partner taking the chief executive or managing director role. Other members of the board are elected from the partnership to represent different areas of the practice. Partnership_boards concentrate on strategy, finances and the big picture.

Executive management has devolved to the managing partner assisted by outsiders brought in to perform specific tasks. Most firms employ an accountant as finance director and noo-lawyer experts in personnel, administration, marketing, information technology and training, Responsibility for practice management or client care falls on the various different practice groups or departments within which partners enjoy considerable autonomy. Within this broad framework there are differences of approach, however.

London law firms may have to restructure if they want

to hang on to their rising stars, says Robert Rice

The pitfalls of partnership



At Taylor Joynson Garrett, a 65partner City firm, extraordinary power is given to the managing partner. Richard Marsh, who presides over a small executive board

of just seven. He receives little formal belp from the senior partner who has no executive role and does not even sit on the board. "He's a sort of elder statesman, that's all," says Marsh. who, referring to his own position. admits that to the outsider it might seem "odd to appoint someone who has spent the last 20 years as a litigator as chief executive of a large organisation with little or no training for the job".

At Freshfields the partnership council is unique in including two non-lawyer outsiders as non-executive members. At present the nonexecutives are Brandon Gough, former senior partner of accountants Coopers & Lybrand, and Herbert Jacobi, chairman of Trinkaus & Burkhardt, the German investment bank. According to John Grleves.

Freshfields' outgoing senior partner, their role is to add the outsider's perspective by challenging internal thinking and "give us the benefit of their experience in other

Freshfields' current structure is also about to change with the election of Anthony Salz as Grieves' successor. Salz's desire to carry on practising rather than moving full time into management has forced the firm to split the senior partner's current role as chairman and chief

Some question whether Salz can successfully combine the two. Edward Walker-Arnott had similar aspirations when he was elected senior partner of Herbert Smith. He told his partners be would only do the job if he could continue to devote 70 per cent of his time to clients. In reality be bas rarely managed more than 55-60 per cent.

Among the others, Slaughter and May - with its commitment to keeping partuers informed and allowing them a say at every turn - epit-omises the old-fashioned approach to partnership, and Allen & Overy and Clifford Chance are closest to the corporate model.

Judging by the financial success enjoyed by these firms even through the recession with revenues above film per partner and average profits per partner close to £400,000, their continued faith in the partnership model seems justified.

Giles Henderson, senior partner of Slaughter and May, believes it works because it not only gives partners a financial interest in the business it allows them to have an element of control over the way it is run as well.

But not everyone is convinced. Maurice Allen, a former Clifforô Chance partner now running the Londoo office of US law firm Weil Gotshal & Manges. believes most City law firms are very poorly managed. They make money despite themselves, he says, and because they do not really compete against each other ("they confer a lnt") there is very little incentive to

Allen sees big problems ahead. The most immediate is that they have no means of meeting the expectations of their up-and-coming young lawyers. "They can't take them all into the partnership, so they are losing them and they seem to accept that, which is astonish-

To keep them they must motivate them and the only way to do that is to change their structures, he says. "If you can't make them all partoers then yon've got to change their role and give them a stake."

Weil Gotshal plans to pay its young lawyers bonuses related to the financial performance of the

Allen also believes the partnership structure is unsuited to the increasingly competitive legal services market. In particular the "lockstep" system which rewards partners according to seniority, capping or "locking" their earnings after 10 or 15 years, acts as a disincentive to competition.
"If you can't benefit from your

own efforts the temptation is just to look out for yourself." Allen says there are too many partners just coasting in the City firms and, as partners have a job for life, this is not an easy problem to address.

Most firms do not even try. A few

such as Allen & Overy, conduct partner appraisals, but most regard it as slightly infra dig, preferring to rely on peer pressure to sort ont under-performance.

Again, Allen believes the solution is to change the structure. Law firms need to adopt hierarchical structures which let natural leaders come to the fore and partners have to accept that they oeed to be managed, he says.

By contrast, most US law firms foster a more competitive environment by encouraging their lawyers to compete against each other for a bigger slice of the pie. Far from heing divisive, as many LK firms maintain, he believes the "eat what you kill" epproach benefits firms by encouraging lawyers to go out and compete for new business in the marketplace.

While City firms may disagree with his analysis there is no doubt these issues are at the forefront of their minds. "Internally the big issue is how to give young lawyers the career path they seek," says Bill Tudor John, a view with which Giles Henderson agrees.

Keeping the firm together and keeping profits up is the real challenge," he says. "Lawyers want a healtoy return for putting no with the pressure, so if profits sag, the temptation will be to go elsewhere where the comparative rewards are greater or to look for work with less

Are you a procrastinator?

Adrian Furnham offers a quiz and prospects for treatment

colleague and I have a problem: I am a time contractor, she is a time estimator. When we agree to meet at a restaurant at 8pm, I mean 8pm exactly. She thinks 8pm is an estimated time of arrival and there is no reason for me to get upset if she arrives at 8.25pm because that's about 8pm, which

was a good estimate. 1 believe British Rail are time estimators, and a significant number of the travelling British public are time contractors.

But worse than the estimator is the procrastinator. For those of us who believe in time-management. meeting deadlines, ou-time performance, procrastination is not just a curious and amazing habit. It is a dysfunctional aberration that ensures that procrastinators and others dependent upon them, waste time and miss opportunities.

Some see procrastination as irrational, others as immoral, and still nthers as pathological. All sorts of theories have been offered to account for chronic and acute procrastination. Parents have been blamed: the procrastinating adult is supposedly a victim who was plagued by over-ambitious and demanding parents. In later life, imposed deadlines lead these people to re-experience early frustrations, so they dawdle and stall, rather than attempting to

meet imposed demands. Others simply argue that in some settings, procrastination has been learnt becaus paradoxically, it has been rewarded rather than punished. Some researchers have noticed that procrastinators tend to be perfectionist, rather neurotic individuals, and assume that this may be the cause.

How dn you fare? Rate your own style on the procrastination scale. Answer each question noting whether it is true or false for you. Answer honestly, and work quickly.

L I nften say: "I'll do that tomorrow". 2. I do routine maintenance on things as often as I should. I waste time on trivial matters, avoiding big decisions. 4. When planning a party, I make

all my arrangements in advance. 5. I frequently rush madly to meet 6. I usually pay my bills on time. 7. I really need a time-management course. 8. I generally return calls 9. I think most people who know me expect me to be late. 10. When it's time to get up. I usually get straight out of bed. 11. Frankly, I am not good at meeting deadlines. 12. I usually accomplish all the things I plan to do each day. 13. A letter may sit for days before I post it. 14. I get most important things done with time to spare. 15. I always end up buying presents (birthdays, Christmas) at the last minute. 16. I am prompt and on time for most appointments.

Give yourself one point for each even-numbered item you marked true, and one point for each odd-numbered item ynu marked

Score 12-16: No time-related problems, possibly impulsive. Score 6-11: Fairly normal with a Score 1-5: A full-blnwn, incurable procrastinator.

But treatment may be at hand. There are not only group-workshops, but also individual sessions, for the procrastinator. Clinicians have found five myths used by procrastinators. These are: Over-estimation of the time left to perform a task. Under-estimation of time ecessary to perform a task. Over-estimation of future motivational states. This is typified by statements such as "I'll feel more like doing it later". Reliance on the necessity of emotinnal congruence to succeed in a task. Typical is a statement such as "People should only study. when they feel good about it". Belief that working when not in the mood is unproductive or sub-optimal. Such beliefs are typically expressed by phrases such as "It doesn't dn any good to work when you are not

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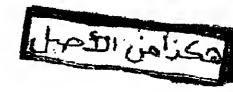
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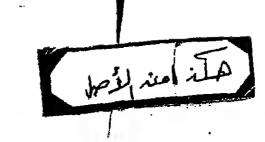
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BERLIN .



An orchestra tuned in to its public

he international image of Sweden as the considerate state funder and provider of a civilised society is so entrenched that a foreigner is surprised to find cultural organisations in bot pursuit (and competition) for private sponsorship to combat spending cuts - while the complaints of low pay from Swed-isb musicians have a familiar ring to the British viaitor. Jubilation and relief were the keynotes therefore at last Friday's announcement that the international pharmaceutical firm Astra had committed Itself to long-term sponsorship with the Royal Stockholm Philbarmonic Orchestra, starting with a grant of SKr5m (£500,000) for the 1996/7

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Based since 1926 in a beautiful Art Deco concert hall, the orchestra is "Royal" almost by defoult. The title was granted for the duration of a foreign tour as an allusion to

Martin Hoyle finds public funding in harmony with private sponsorship in Stockholm the ball as venne of the Nobel prize giving. By one of those calculeted oversights, the orchestra omitted to drop the title for some months after their return to Stock-

holm; and on hearing their even-tual confession the easy-going and

popular king decided that as e con-stitutional monarch he should let

them keep it. Thus did the Philbar-

monic become Royal. Though Glyndehourne with its triumphant policy of private fund-ing is a much-cited model (and a fevourite resort of Astra's presi-dent, Hakan Mogren), the new sponsorship deal depended on con-

e reminder that Sweden does not envisage American-style tax coucessions for sponsorsblp. Stock-holm county council has obligingly increased its grant of SKr50m by another SKr5m. The flexibility of various anthorities is reflected by the co-operation of public and private, perhaps setting an example for the rest of Sweden's cultural institutions. The County Council also runs the public transport system, and has agreed to re-name the nearest underground station after the concert hall. There is talk of this year's festival devoted to the

19th-century "Swedish nightingale" Jenny Lind being celebrated on

bureancracy that are as fruitful in Sweden as they are stultifying in France (and non-existent in Britain).

The orchestra owns its venne, and Astra sees advantages in being able to call on this facility for its own corporate events: et least one high-ranking executive is already in the habit of hiring the band's musicians for bome entertaining an improbable picture when translated to Britain. Meanwhile, the Philharmonic's polley of attracting newer audiences has led to conclusions similar to the London South

postage stamps, a sign of the close Bank Centre's in its researches: e links between culture end state surprisingly large number of the surprisingly large number of the uninitiated would ettend high cul-ture if the incidentals – access including parking, information, prices, suitable dates and times -

could be improved. The orcbestra has noted that a far from hide-bound public welcomes novelties. A yearly festival alternates Swedish with international composers as a theme. The Schnittke festival in 1989 was the first large-scale cycle of the musi-cian's works in the west, in the teeth of Soviet objections to his leaving Russia. Last year's festival devoted to Arvo Part was sold out

didn't exactly tap dance but he was in a great mood," one orchestra official observes with pride. Meanwhile the Orchestra intends to experiment with presentation, lighting, electro-ecoustic music, flexible prices and open days that take the public backstage. Already a rather preciously-billed series of Tuesday night "intimate" chamber concerts has been awliched to a more robustly advertised Sunday morning slot with huge success and

a wider public.
The orcbestra's two principal guest conductors are Andrew Davis and Paavo Järvi, son of the famous

Neeme. At the concert I heard con-ducted by Davis both players and public reacted warmly to a moving version of Elgar's First in a programme that opened with a resin-ous, bracing plece by the Swedish Daniel Börtz. The hall tooked almost full though my hosts were not aetisfied. Over a weekend marked by a deceptive thaw and e wicked cold snap that sent the temperature down to Arctic levela oth an afternoon chamber concert by the excellent Talekvartetten (Dutilleux, Stenhammer, Bartók) who will surely bave an international career and a Don Giovanni by the "alternative" opera com-pany Folkopera were sold out; the Philharmonic's rival Swedish Radio Orchestra in a Russian bill under Pletnev with Mischa Maisky was well packed. Stockholm's musical life is thriving; no wonder Astra wants e slice of the action and is prepared to invest in it generously.

Theatre/Alastair Macaulay

The Long and the Short and the Tall

ot only, but also. While the No. of the second Duke of York's Theatre has been housing a six-month aeason of Royal Court Classics", other theatres keep staging other plays that the Royal Court once made famous too. Two weeks ago, I reviewed the Birmingham Rep staging of John Osborne's The Entertainer; last autumn the RSC staged Osborne's A Patriot for Me; and now, just up tha block from the Duke of York's, the Albery Theatre is presenting Willis Hall's once-famous The Long and the Short and the Tall.

I have no problem with the season of "Royal Court Classics" apart from ooe about nomenclature - the word "classic" is too readily banded about - but it is the presence of Royal Court plays elsewhere that demonstrates the real importance of its record over the last 40 years to British theatre repertory today.

Though Hall first wrote this for a bunch of Oxford undergraduates in 1957, it was its professional staging at the Royal Court in 1958 - directed by Lindsay Anderson - that made it nationally celebrated. It depicts a reconnaissance patrol of seven British soldiers in the Malayan jungle during the second world war. One is Scots, one Welsh, one Cockney, one Geordie, and so on; one is sadistically punitive. one is a permanent irritant (the Thersites type). Sure, this cross-section of types is a cliché; indeed, it was in 1958. But the play is, as Kenneth Tynan wrote then, beautifully writ-ten; "each character speaks a language ... abundant in racy local metaphor"; and it is interesting today to read his observation that "Suddenly ... a group of plays has sprung up for which B.B.C. English is utterly useless." We get to know all these men. But, at the end, offstage gunfire polishes them all off.

Hall was 30 years old then; he has contributed a brief memoir to the programms of the present production. The orginal cast included Robert Shaw and Peter O'Toole (replacing

s English Touring Opera prepares to pack its bags for its spring season, it will

be hoping for a good send-off. The trouble is that ETO

has to start by helping itself.

Albert Finney, who had appendicitis); O'Toole's understudy was Michael Caine. None of them then were stars, and the play's original run in the West End lasted only three months. Nonetheless, the play had made its impact, and many other productions

round the country followed. For the new production, which is directed by Paul Jerricho, Hall has supplied or sanctioned a busy sprinkling of f- and c-words over his original text. This is a mistake. They grate against the splendidly varied wartima vernacular of the 1958 text, and make some of its words sound merely quaint. Jerricho's actors could be tanght to project with more vocal incisiveness; and to make certain pauses more telling. Haircuts are too modern. But the play still works, and becomes increasingly gripping.

There is, actually, a certain kinship

between David Storey's The Changing Room, the 1971 play currently at the Duke of York's, and The Long and the Short and the Tail. Both are all-male; both show tensions between a social mix; both are "offstagers", set in one room apart from the sphere of male activity; Lindsay Anderson directed the original productions of both plays: and both plays allow their larger meanings - about the games men play - to become apparent without anyone onstage giving voice to them.

The silent role of the Japanese Soldier is played by Burt Kwouk, who is best known for playing Cato in the Pink Ponther movies. The programme tells us that he first played this role over 20 years ago. At the risk of sounding competitive, I would like to observe that I myself played the same role 23 years ago. I was 17. It was school production, and It took a great deal of make-up to render me remotely Oriental. It is a harder role than you might suppose. Memory plays tricks, but I would like to think that my onstage death was more convincing than Kwouk's.

Albery Theatre, WC2.



Mark Arden, Kevin Dignam and Burt Kwouk in Willis Hall's 1957 play

Concert/David Murray

Schubert sings through the Takács

half Hungarian, half British - elways enjoys a warm welcome here, for it has earned it honestly: above all in Bartók, but since then in the classical and romantic repertoires too. When the quartet began its cycle of Schubert's "complete string quartets" et the Wigmore last Tuesday, both of its February concerts were already sold out. It continues in November with two more; presumably the final ones, since there are just two mature Schubert quartets left to crown their programmes - though not enough time to squeeze in all of the early quartets, surely? Perhaps "complete" does not mean quite complete.

■ he Takács Quartet -

Tuesday's concert prefaced the great G major quartet with two exercises by the 16-yearold composer, the "4th" quartet in B-flat and the E-flat "8th". (There is something absurdly officious about numbering a composer'a juvenilia along with his grown-up pieces; it shows the malign hand of the music-historian, like dubbing Bartók's violin concerto "No. 2" because he turns out to have written - and withdrawn. and then cannibalised - a much earlier one that he wanted forgotten.) At the bands of other quartet-players, Nos. "4" and "8" might have seemed thin fare for a whole

first half. No fear of that with the whose linear st wiry but lyrical, proved wholly apt for disclosing young Schubert's hest strengths without inflating what are after all student pieces. The basic elements in both these quartets are fairly conventional and sage enfont (granted that the enfant

already knows a lot of Beeth-

oven). There are no melodic flights to prefigure Schubert's luminous line-drawing later, though plenty of assidnous workings-out and many a routine professional trope keenly imitated.

What is striking is his largescale dramatic sense: canny, purposeful contrasts of texture and dynamics create steady excitement, suspense and satisfaction, even when we expect no real surprises.

Through their fresh, "natural" address, the Takacs found exactly the right median between innocent songfulness and studied formalism. I thought the players did beautiful justice to these pieces, let-ting us bear - quite without underlining or conscious nudges - both the newlylearned 'prentice and the composer that Schubert was on his way to becoming. Then, after the interval, the G major quartet ("No. 15", his last) provided just the fulfilment that we wanted and needed to hear.

The scale and the startling originality of the G major (which is almost as much in G minor switching abruptly between those keys to notently expressive effect) prompt most quartets to aim at monumentality: a lofty, detached symphony for four instruments, a grand edifice. The Takács players preferred a more human, intimate style. If there were intimations of tragedy. they came through singing collective outbursts - arresting, certainly, but never grandiose.
That is not the only way to

deliver this extraordinarily disturbing work; but in the seeming-simple Takács version lt still sounded extraordinary. and acutely moving.

'Rigoletto' and 'Werther' hit the road

Richard Fairman reviews English Touring Opera

have sadly resorted hera to an The company's new production of abstract wasteland of a set, in Verdi's Rigoletto, unveiled before its which symbolism is everything. London audience at Sadler's Wells Theatre on Tuesday, is a late exam-ple of the grim, modernist style of Gilda is kept locked away in a white box. There is no furniture, not even a CD player on which she might opera production that one hoped listen to a more stylish performance had died out when the fall of the of the score. Later, after she has Berlin wall crushed its Eastern bloc been raped, the interior of her boxprogenitors some years back. It is difficult to believe that audiences in room turns blood-red, so even the least attentive member of the audi-Exeter and Ipswich will be enchanence should get the point.

The best individual contribution ted by its hard-edged social realism.

comes from Gail Pearson, who gives the caged Gilda a bright and rapt

songfulness. Her fast vibrato is per-haps not ideal for Verdi, but she makes the music her own, phrasing and colouring Gilda's role with touching sensitivity. Jeffrey Stew-art has a decent basic tenor with which to tackle the Duke of Mantua, although he could lift it into place with a little more elegance.

Apart from the strength of the seven-man chorus, that is the last of the good news. Finding a baritone with the vocal heft for Rigoletto will not have been an easy task and ETO has secured an experienced performer in Glenville Hargreaves, but he fails to make the role add up to more than a succession of clichés. Michael J. Pearson's gruff Sparafucile has to deliver his entrance scene from the sloping roof of Gilda's box, causing e frisson of tension as one waits to see if he will slide off into the wings.

This chlique production is mar-ried to a musical performance that puts literainess before anything else. Martin André is determined to deliver the score as he sees it, without extra high notes and for the

hardly ever allows expressive freedom and, on the rare occasion when be does, it does not sound idiomatic.

The companion opera on ETO's spring tour - Massenet's Werther -is a somewhat better bet. Geraint Dodd's Werther is too much the morbid loser, too little the romantic poet, and he struggles with a tenor voice that is as often out-of-focus as in, but he does put across the character's inner emotions. Christine Botes's high mezzo is rather colour-

some animation to the later stages of the role. Roderick Williams's well-sung Alhert and Maureen Brathwaite's Sophie dispatch their lesser challenges with splendid The balance is tilted by the con-

less for Charlotte, but she brings

ductor Andrew Greenwood and ETO's brave little orchestra, who bring all the style and warmth of beart to Werther that was so lacking in Rigoletto. Massenet's glorious orchestration may have been reduced for touring, but his emotions seem as big as ever.

English Touring Opera sponsored by Barclays Bank. Performances et Sadler's Wells until February 24, then on tour.

ENO appoints Paul Daniel

Daul Daniel has been appointed as the new music director of English National Opera. Daniel, 37, is currently music director of Opera North. He will take up his appointment at the London Coliseum in August 1997, assuming artistic leadership of the company with general director Dennis Marks Daniel previously worked with ENO, on its music staff, from 1982 to 1987. He was always the favourite for the Coliseum post but was believed to be initially reluctant to



After his colourful ETO staging of

L'elisir d'amore, Stephen Medcalf and his designer Charles Edwards

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Schausplethaus & West-end-Theater Tel: 49-221-2218400 Die Jungfrau von Orleans: by Friedrich Schiller, Directed by Torsten Fischer. The cast includes Jacqueline Kommüller, Sophie von sel, Birgit Walter, Jan Schütte, Martin Reinke and Michael Weger 3pm; Feb 26

■ EDINBURGH

THEATRE

OPERA Edinburgh Festival Theatre Tel: 44-131-5296000 La Traviata: by Verdi. Conducted by Richard Armstrong and performed by the Scottish Opera. Soloists include Claire Rutter, Paul Charles Clarke, René Massis and Helen Lothian; 7.15pm; Feb 28

■ FRANKFURT

DANCE Jahrhunderthalle Hoechst Tel: 49-69-3601240 Il Gattopardo: a choreography by Roland Petit to music by Verdi, Rossini, Puccini, Bellini and Respighi, performed by the Ballet National de Marseille Roland Petit; 8pm; Feb 26, 27

GLASGOW POP-MUSIC

Glasgow Royal Concert Hall Tel: 44-141-3326633 Tori Amos: performs songs from her latest album "Boys for Pele" and other works; 7.30pm; Feb 29

HELSINKI **OPERA**

Opera House Tel: 358-0-403021

Il Barbiere di Siviglia: by Rossini. Conducted by Miguel Gómez-Martinez and performed by the Helsinki Opera. Soloists Include Charles Workman, Kalevi Olli, Marussa Xyni and Sauli Tiilikanen; 7pm; Feb 29

LISBON CONCERT

Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131 Coro Gulbenkian: with director Jorge Matta, sopranos Ana Ferraz and Rute Dutra, and contralto Helena Pata perform Leite's Misere and Júnior'e Credo, Libera me, Miserere and Stabat Mater, 9.30pm; Feb 25

LONDON CONCERT

St John's Smith Square Tel: 44-171-2221061 Artur Pizzaro: the pianist performs Debussy's Epigraphs antiques and Dukas' Plano Sonata in E flat minor; 1pm; Feb 28 Wigmore Hall Tel: 44-171-9352141 The Takács Ouartet: perform Schubert's string quartets Nos. 1, 10 and 13; 7.30pm; Feb 24 EXHIBITION

Sothebys; Parke Bernet & Co. Tel: 44-171-4938080 Weaving e Tale of Heroes, Monsters and Myths: auction of tanestries from the Vigo Stembero Collection. The sale includes more

than 80 works dating from the 15th century to the present day, from the major weaving centres of Flanders. France and England; 11am; Feb 29

LYON CONCERT

Opéra de Lvon Tel: 33-72 00 45 45 Orchestre de la Suisse Romande: with conductor Armin Jordan and pianist Nelson Görner perform works by Ravel, De Falla and Liszt; 8,30pm; Feb 24

■ NEW YORK

CONCERT Carnegie Hall Tel: 1-212-247-7600 American Composers Orchestra: with conductors Dennis Russell and Henry Brant perform works by Brant, Sessions and Ives/Brant; 3pm; Feb

 Koninklijk Concertgebouworkest: with conductor Riccardo Chailly perform works by Hindemith, Weill, Shostakovich and Mussorgsky; 8pm; Feb 25 Merkin Concert Hall - Abraham Goodman House

Tel:1-212-362 8719 New York Philharmonic Ensembles: fourth concert in this series led by Kurt Masur. Flutists Jeanne Baxtresser and Renée Siebert, viola-players Irene Breslaw and Rebecca Young, bassoonist David Carroll, violinists Glenn Dicterow, Lisa Kim, Hanna Lachert, Charles Rex and Donald Whyte, clarinettist Stanley Drucker, pianist Linda Mark, and cellists Nancy McRae and Alan Stepansky perform

works byHaydn, Rex, Szymanowski

and Brahms; 3pm; Feb 25

PARIS CONCERT

Salle Gaveau Tel: 33-1 49 53 05 07 Aprile Millo: accompanied by planist George Darden. The soprano erforms songs by Wagner, Bellini, Verdi, Wolf and Dvorák; 8.30pm; Feb 26

■ WASHINGTON CONCERT

Concert Hall Tel: 1-202-467 4600

 Zigeunerfieder: by Brahms.
 Performed by the Boys Choir of Harlem with conductor Walter J. Tumbull; 3pm; Feb 25 EXHIBITION National Portrait Gallery Tel: 1-202-357-1915 Rebels: Painters and Poets of the 1950s: two-part exhibition that examines the revolutions in painting and poetry that took place on the east and west coasts following the second world war. In "The Poets"

Jack Kerouac, Alan Ginsberg, William Burroughs and their contemporaries are revisited through photographs, prints and memorabilia. The section "The Painters" highlights the New York painters associated with Abstract Expressionism; from Feb 24 to Jun 2

■ ZURICH

CONCERT Opernhaus Zürich Tel: 41-1-268 6666

 Alban Berg Quartet: perform Mozart'e String Quartet No.19 in A and String Quartet No.17 In B flat, and Berio's Notturne; 8.20pm; Feb 26

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Philip Stephens

The Lazarus effect

The Tories could win the next election, given some heroic assumptions. And some people have to take those seriously

think Time the unthinkable. John Major's government could win the general election. No. I am not

Granted, this may seem a curious moment to raise such a prospect. The House of Commons has yet to vote on the Scott report into arms sales to Irag. Win or lose on Monday. Sir Richard Scott's conclusions have done the Conservatives serious damage. The voters may not grasp the precise import of these ministerial misdemeanors. They do not need much convincing that

this government is sleazy. Then there is the leftleaning Peter Thurnham, poised it seems to reduce Mr Major's precarious majority even further by resigning the Tory party whip, it may only be a matter of months before the government depends for its survival entirely on the unpredictable allegiance of the Ulster Unionists.

l could offer further qualifications. This week a colleague attended the British oil industry's glitzy annual dinner. There were 10 well-heeled executives on his table, capitalists to the core. Only three would admit they would cast their votes for the Tories. So 1 am talking about possibilities rather than probabilities. Note throughout the careful conditionals.

But screen out for a moment the day-to-day static of politics. Take a small leap of imagination and assume that the Conservative party manages somehow to maintain its fragile facade of unity

until polling day. The case for a Lazarus-like recovery then starts with the economic determinism of Michael Heseltine. The deputy prime minister has long been a touch cynical in his view of human motivation. If the voters have plenty of money in their pockets during the 12 months preceding an election. they will more likely than not decide to re-elect the government of the day. Look back over the postwar period and it

is clear that this relationship between cash and power is not inviolable. But the track

record is not at all bad. So what cheers Mr Heseltine is the prospect that the voters (unless they are poor or unemployed) can now look forward to a sustained rise in incomes. Earnings are rising faster than prices, the cost of mortgages is falling. Tax cuts, rebates on electricity bills and payouts by the building societies as they abandon mutual status promise a further boost.

Even those economists who judge the Treasury's forecasts of economic growth as far too optimistic think there will he plenty of cash. Goldman Sachs, the investment bank, for example, predicts that real personable disposal income will rise 2.3 per cent in 1996 and 2.7 per cent in 1997. Add in the impact of the various one-off windfalls, and actual consumer spending may rise by an additional percentage

point this year. The strategists in charge of Mr Major's election campaign detect a corresponding shift in the opinion polls. Put aside the responses to the standard question on voting intentions and focus instead on what the pollsters call the "feelgood factor", Gallup defines this as the difference between the proportion of voters who expect their financial sltuation to improve

The Tory message is clear. However incompetent we may have been, do you really think Labour will do a better job of managing your money?

over the next 12 months and those who think it will deteri-

In Gallup's February poll for the Daily Telegraph, the balance was minus 5.8 per cent. Not wonderful, you might think But as recently as December the figure stood at minus 12.1 per cent, and in the dark days of 1993 it was a startling minus 29.6 per cent. The plus 12.3 per cent recorded at the time of the 1992 election is not completely out of sight.

Not all his colleagues share Mr Heseltine's faith in such a mechanistic model. Kenneth Clarke sees rising living standards as a necessary, though not a sufficient, condition for electoral success. But the chancellor agrees that, for all the recent slowdown, the economy offers the government a fighting chance.

He intends to make the most of it. The conventional wisdom at Westminster has it that Mr Clarke is now a beleaguered figure, hated hy the Eurosceptic right and at odds with Mr Major. It is true that he often seems to have more enemies than allies in his own party. But the more relevant reality is that Mr Clarke's position has never been stronger. He is unsackable. If he resigned, the government would collapse around Mr Major's ears. From now until polling day, prime minister and chancellor must sink or swim together. Mr Major knows it. So does Mr Clarke.

The chancellor is not planning to stoke up a boom. Unlike many of his critics on the Tory backhenches, Mr Clarke does not think the voters are stupid. Sure. he will get away with as much as be can on interest rates and tax cuts. But the chancellor sticks to the view that good economics and good politics are indivisible. Lower interest rates and taxes will be tested against his assessment of whether the financial markets, and the voters, judge them credible.

another cut in interest rates

early next month. The Bank of England's belated admission that inflation is not the problem of the moment has removed the last remaining obstacle. There is also a mood in the Treasury in favour of acting more decisively in changing interest rates. The most common mistake of successive chancellors since 1979 has been to do too little, too late when the economy is booming, and too much, but too late, when it stalls. Mr Clarke appears minded to

directions. But assume for the sake of argument that he gets it right. Why should anyone thank the government for a modest improvement in living standards after all the pain, bro ken promises and breathtak ing incompetence of the past few years? The answer is that the government does not expect, or need, thanks.

heed the lesson - in both

The important point is that the voters are persuaded they have something to lose hy hacking Tony Blair. Tory strategists would not put it like this, hut the message is clear enough. However much you hate us, however incompetent we may have been, do you really think Labour will do a better joh of managing your money? Mr Blair may be every mother's ideal son-in-law, hut would he really be able stand up to tha Old Lahour interest groups who would harge in hebind him the moment he stepped over the threshold of 10 Down-

ing Street? I am sure that by now you will have spotted the flaws in this argument. It is predicated on Mr Major's holding on to office until April 1997. It depends on a fairly rapid narrowing of the opinion poll gap to lift the air of despondent deleatism which bangs over the Tory party. And it presumes that the electorate never looks further than its wallet. All herole assumptions. But I do know one per-That does not preclude son who takes them seriously.

·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be fixed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@fi.com Translation may be available for letters written in the main international languages.

Knowing the drill for where oil flows

From Mr Harold Krivoy. Sir, I am writing to claim priority for a theory developed in Stephanie Flanders' article, "The poverty of geology

(December 4, 1995). My idea, though much more subjective, derived from geophysical exploration in the early 1950s. While working for two different oil companies in a three- or four-year period, my family and I had to live in Monahans, Texas.

I cannot give credit to many others who came up with the same dictum, but we were ahead of Stephanie Flanders with the observation: "Oil occurs in a place you'd least like to live."

However, Nigeria would probably win "hands down" over Monahans.

in the 1970s, when I worked for the US Geological Survey in Reston, Virginia, Nigeria was fast becoming a hig producer. And with its first 4bn or 5bn deht dollars, it was talked into an environmental study in preparation for moving the capital from Lagos

up into the cooler hill country. I don't think the Nigerians ever moved their capital, and I don't plan to visit that part of the world - Dallas is enough. The months since you

printed Stephanie Flanders article on the Harvard economic study have been dolorons for Nigeria. It has been visited by an

implacable tyranny; while the oil flows on. I do have a fond memory of all the Nigerian geologists I met here in America. They were excellent scientists - a tribute to the colonial educational system.

Harold L Krivov. 1700 Richland Dr. Richardson. TX 75081, US

Bundesbank's pivotal role in Emu

From Dr Jürgen Pfister. Sir. Professor Willem Buiter's comment (Letters: Emu too influenced by Bundesbank". February 20) is a good example of the British sense of humour and should be weicomed as such at the end of the German carnival season. Of course, the Bundesbank plays a pivotal role in German public debate on Emu - a result of more than 40 years of success and the still vivid traumatic experience of two hyperinflations in the first half of the century. What is more, Germany and France are indeed slightly more important than other EU members in this respect - reflected in the commonly held view that

Emn will not happen. It may be true that the fiscal criteria in the Maastricht treaty are not very convincing from a purely economic point of view. But it should be understood what function they serve: obviously the signatories of the treaty held the view that the success of

without one of these countries

the future European central bank cannot be guaranteed by making it responsible for price stability alone, giving it an independent status and writing the other rules into its statutes. This should be accompanied by binding rules for fiscal policies as the temptation might arise to take advantage of the reduced costs of fiscal irresponsibility by one

country in a monetary union.

The appropriate response to

the obvious weakness of the fiscal criteria is to replace them with more sensible ones. For this reason, the German government proposed preparing limits for the structural deficit (1 per cent of gross domestic product) which would be strictly hinding once Emu has begun, and not just for a single year.

Professor Buiter's suggestion, which comes close simply to ignoring the criteria, runs the risk of casting doubt upon the core of the treaty as well, namely the promise of a

stable currency. Bundesbank chief economist

Otmar Issing's suspicion that the Maastricht treaty is hardly read carefully seems to be true First, ironically, for the least sensible criterion - the government debt to GDP ratio the qualifications in the treaty are hardly "sufficient" because they may include the Irish case - a rapid

approximation to the reference value - but not the German case, where the ratio is moving in the wrong direction and may well slightly exceed the 60 per cent mark. Second, the European central bank is, according to the treaty, the same non-elected, unrepresentative special

interest as the Bundesbank. A look at the fiscal policies in many EU countries, which are decided by elected : representative bodies, should make us welcome this with a sigh of relief.

Jürgen Pfister. senior vice president and head of economic research, D-60261 Frankfurt, Germany

More credible factor behind 'globalisation'

From Mr Neville Craig. Sir, Mr Phil Mullan (Letters, Fehruary 16) postulates that "globalisation" seems to be a sign of economic decay. He cites the move by UK interests to foreign direct investment and the rapid turn to overseas production by Germany and

Barry Riley ("There's profit in staggation") appears to offer a more credible explanation. Foreigners have filled. . .the

capital vacuum (in the UK) with the Japanese. . .bravely huilding \$20bn worth of plants. The resulting profits have ranged from average at best to poor or negative in most cases. We could have told them." As one of the large body of scientifically qualified British managers who has worked

outside the UK for much of his In your February 17 issue, working life. I would suggest that Mr Mullan should consider the higher profitability achieved by

British shareholdings out Britain in countries where 'adding value" is more important than "demanding one's rights". Arrogant trade unionism drove many British interests

> Neville Craig, PO Box 30056. Nairobi, Kenya

Democratic vote for Pat's further success

From Ms Eileen O Connor. Sir. I am a Democrat, which was hardly in vogue during the US presidential election of 1992 (or 1988, 1984, or 1980). Following Pat Buchanan's win in the New Hampshire Republican primary election,

all I have to say is "GO PAT!" Keep up the good work! As long as your "peasants with pitchforks" keep fighting off the hig bad "knights and harons" ("Primary win for Buchanan seen by TV networks", February 21) we

"Democrats" will continue to run the country through to thevear 2000. . .

(investors and managers) out

'capital vacuum' did so

partially in ignorance.

of the UK. Those who filled the

Eileen M. O'Connor. 20 Edgewood Road, Glen Ridge. New Jersey, US.

Europa · Dominique Moïsi

Remembrance of times past

Western Europe's elites have found a sense of identity elusive since the end of the cold war



As Europe contemplates the slowdown of its economy, the communists are returning to

power in most of the countries of eastern and central Europe which liberated themselves from Soviet domination in 1989. There is the awesome possibility that a communist might once again rule Russia.

What has gone wrong in the five years since the collapse of the Soviet Union? What has happened to our hopes for a new European order based on values of stability, peace, justice, prosperity and freedom? What was missing from the process of democratic change the right men, the right concepts, the right values?

Men do, of course, make a difference, as seen by the influence of F.W. de Klerk and Nelson Mandela in South Africa, or Yitzhak Rahin, Shimon Peres and Yassir Arafat in the Middle East. But in the complex, often grey, transition such as Europe is now experiencing, charismatic leaders do not necessarily arise in the way that they do in more bru-tal events such as the French or Russian revolutions. Conceptually, the last few

years have been extremely difficult to grasp and to understand. Looking back, the events since 1989 look like a speeded-up film - the images passing so quickly that they cannot be understood properly. Seen in historical perspec-

tive, recent events appear to encapsulate in condensed form all the dilemmas Europe has experienced since the end of the Napoleonic wars and the Congress of Vienna of 1815. In hringing to an end the

Napoleonic era and the international dynamism of the French revolution, the Congress of Vienna sought a principle of legitimacy that would bring order and stability. In 1815, that was the monarchical system. Today, a similar search brings us to a combination of democracy and the market economy.

The Congress of Vienna also sought to integrate the



defeated party in a new European order. Just as for France in 1815, so it has been for Russia since 1991. The policy conclusion in each case was the same: engage the defeated country if you can, contain or curb it if you must. After the first world war, the

Treaty of Versailles opened the way to a series of pacts installing a new order after the defeat of Germany and the collapse of the Austro-Hungarian and Ottoman empires. This saw the triumph of the princi-ple of national self-determination that was repressed In Vienna.

From the world of Versailles, we have also inherited the contradictions between democratic rhetoric and the passive realpolitik that allows democracies to stand by while dictatorships repress their own peoples. In 1939, this led to the second world war, and in 1991 such a passive stand led to the "death

of Yugoslavia". The end of the second world war and the onset of the cold war brought bipolar division to Europe. From this era, we have inherited not only the weapons of mass destruction, but also a nostalgia for a world defined in clear, simple - even manichean – terms.

From this century, we have also inherited the darkest pages, from the holocaust to ethnic cleansing in the former Yugoslavia. The differences between Auschwitz and Srbrenica are of course qualitatively and quantitatively enormous - in the latter the women and the young children were spared. But it is not the kind of progress Europe should be proud of.

The UN and Nato forces in the former Yugoslavia used each others' presence and the nature of their respective man-dates as alibis for their passivity and impotence. It was not an encouraging experience for Europe at a time when the advantages of a European pillar of security to replace the Atlantic alliance were under

Confronted with a fastmoving world that defies simple analysis, some westerners seem to contemplate the possible return of the Communists to power in Russia with fatalism - even relief. Since western Europeans seem to have been incapable of giving themselves a positive sense of identity in the absence of a communist threat, they may even welcome its return

This could he seen at the recent World Economic Forum in Davos, in the reception given hy western elites to Gennady Zyuganov, the leader of

the Russian Communist party and present favourite in the polls for the presidents. tion. Mr Zyuganov is wry different from the former commo nists who have been returned to power in eastern Europe and much more similar to the original Communist model. But he has learned to address a western audience, and speaks with an anthority and calm that appeared to have bewitched

"Maybe he is not that bad. Maybe he incarnates what Russia needs above all, order and stability," seemed to be a common response.

This reassuring logic may do no more than cloak western impotence - there is little the west can do to influence the results of the Russian presidential election. But I detect another implicit reading, if not a hidden agenda: the return of confrontation with Russia that could give western Europe the sense of identity and purpose it badly needs.

Containing Russia would of course be different from containment of the Soviet Union. The struggle against ideology would be replaced by a struggle against an assertive nationalism reminiscent of that of

the late 19th century.
History would thus circle. From a dre. open and free Europe united by democracy one democracy one would return to the awesome reality of a Europe divided once more by national interest, if not ethnic rivalries.

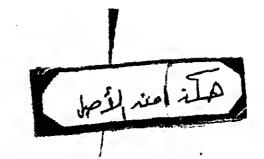
This sombre scenario is not inevitable, not should lt become so. History is made at the margin and its verdict is still open. It is not too late to resusci-

tate and mobilise the spirit of 1989 in central and eastern Europe and of 1991 in Russia. This would mean a European Union much more confident of itself and of values

Just because the pace of change has accelerated and become complex there is no need to become resigned to the inevitability of a return of a simplistic and divided Europe. But if we allow it to happen. the failure would be ours. because we are the generation of 1989.

The outhor is deputy director of the Paris-based Institut Francais des Relations Internationales and editor in chief, Politique étrangère. He writes 👠 🗝 🛶 a personal capacity





COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Friday February 23 1996

Mr Bildt's burden

If one thing is clear to most observers of Bosnia's peace process, it is the fact that a vast, possibly unbearable, burden rests on the shoulders of Mr Carl Bildt, who was chosen last year as the European Union's envoy to the conflict zone.

As "high representative" with responsibility for non-military aspects of the Dayton peace accord, he is supposed to oversee the physical, and more important, the political reconstruction of Bosnia as e democratic state. It is widely agreed that Nato's military efforts could go to waste unless Mr Bildt is successful, and that his effort has proceeded more slowly than the designers of the Dayton accord had hoped.

Yesterday's news of a mass out-flow of Serbs from the suburbs of Sarajevo wili depress morale at Mr Bildt's makeshift and overstretched headquarters in the Bosoian capital. Despite his hest efforts, it has become clear that neither the Bosnian government nor the Bosnian Serb leadership has the will to establish post-war Sa levo as a multi-ethnic capital for e multi-ethnic state. The exodus of the Serhs Is something worse than an embarrassing setfunctioning entity could still fail. ised both Moslem and Serb leaders

back for Mr Bildt. It is a reminder that Bosnia's reconstitution as a Mr Bildt has justifiably criticfor not co-operating with his efforts to create e climate of trust in Sarajevo. He could well suffer the greatest political damage, tarred with the brush of failing to in their name.

reunify Bosnia. Some US officials have started a whispering campaign against him, suggesting he was slow to get started and has focused too beavily on Sarajevo.

This back-biting bodes ill for

transatlantic co-operation, in Bos nia and beyond. It is true that Mr Bildt has faced an uphill struggle to co-ordinate the work of international bureaucrats and the Bos-

But that is partly because the division of labour agreed et Dayton might almost have been designed to make Mr Bildt look bad, and the US-led Nato opera-tion in Bosnia look good. Nato'e mission has levish funding and fairly simple tasks, while Mr Bildt is coping with e vast and open-ended job on a shoestring. But Nato's bosses are wrong if they think their organisation can enhance its reputation in Bosnia while that of Mr Bildt and the EU flounders. A messy failure in Bos-nia would tarnish Nato too.

In the short term, Nato should do more to help Mr Bildt with his practical problems, such as transport round Bosnia. In the long term, EU leaders might reflect on the deeper reason why their man in Bosnia has failed to match the political authority of Mr Richard Holbrooke, who retired this week as US envoy to the region. Lack of funding is part of the reason for Mr Bildt's travails. But perhaps the underlying problem is the reluctance of Europe's jealons nations to invest one individual with sufficient anthority to speak

Training the UK

economic policy, particularly among parties of the left. Boosting the nation's human capital is a worthy aspiration - the trick comes in finding plausible ways to match aspiration to reality.

The UK Labour party has faced up to several policy realities in scrapping its longstanding policy levy on companies which do not spend a minimum amount on training. The first, less laudable reason is that these days any compulsory levy, even one supplemented by rebates for the wellbehaved, would be labelled e "tax" in the run-up to the election.

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There would be nothing wrong in Lahour deciding to increase government spending on training, even if that meant higher taxes to pay for it. But there is a eccond, much better reason for dumping the old scheme - that it would not work. A similar system of levies and subsidies run hy the Industrial Training Boards of the 1960s and 1970s was abolished in 1981 for being overcomplicated and ineffective. Employer pressure had led to mounting exemptions for small firms and other "special cases". This meant that trained labour often migrated to the unaffected industries or exempted firms - causing even more resentment among those companies

Training levies would have even less chance of succeeding in

Education and training are the motherhood and apple pie of 1990s from the likely administrative costs, the system would end up excluding the growing share of the workforce employed in small, nonmanufacturing companies or on short-term or part-time contracts who often need training the most.

Labour is still debating the details of its new training policies. But they look set to centre round training: "individual learning accounts" for training funded jointly by companies and employees, and "Tessa" type savings accounts for individuals who put aside money for more general training.

This approach makes sense for two reasons. First, it is voluntary. International evidence suggests that, particularly among older workers, training or re-training programmes rarely succeed when individuals have been forced to sign up. Second, it recognises that training policy these days needs to focus more on individuals and rather less on their, often tempo-

rary, employers. For Labour, the drawback of the new approach will be that it will take time, and money, to have a significant effect on training levels. The UK will not be turned into a nation of human capitalists overnight. And individuals and employers will need not just generous tax incentives to train, but proof that the training and qualifications available are worth the

India's scandal

Evec to e country long familiar with corruption, India's latest scandal has turned into something out of the ordinary. It has now led to charges against more than two dozen nobticians from various par-ties. I chuding seven serving minister. More are expected to follow. At one level, this is e catastro-Dhe for the country's political class. At another, it is an opportu-

hity to hring forward political reforms to match those already introduced in the economy. Indie'e problem is that, like

many developing countries, it is not one society but two. There is a backward looking, feudal India in which patronage playe a large part. Superimposed on that is a modern industrial democracy struggling to develop values of its own. The latest scandal is a clash between the twn Althnugh it seems unlikely to lead quickly to radical reform, it is important that modern values win through over

Poor rural voters, who make up the mass of India'e electorate, are used to seeing politicians as larger than life. They are expected to dispense favours in return for money with one hand, and to distribute largesse to the people with another. It matters little whose noney they are actually using. That is simply how politicians

But economic reform is bringing change. Gone is the so-called heence raj, when almost all forms of of romic activity were subject

to permit which often had to he bought. In its place are growing numbers of deregulated industries for which politicians are less important. It is testimony to the impact of this change that the scandal has taken on such large

It has ehaken the Congress party at national level to its very foundations. Moreover, the supreme court has insisted on the investigation proceeding regardless of the vested interests of leading politicians. Its determination shows how, in contrast to China, the rule of law can be made to prevail in India.

Still, India needs to adapt its political institutions to the modern world. State funding of parties and higher ministerial salaries would be just e start. There are opportunities for graft even in e liberal economy, but India's husiness-minded middle classes have a growing interest in impartial and transparent government. Without basic reforms on party funding, India will never break

free of its patronage culture. India still has to tackle some important economic issues - like deregulation of land use which is inhihiting development of its cities and driving up rents, and the provision of edequate infrastructure, including power supplies to industry. Its leaders will be painfully slow to deliver if they remain mired in wasteful corruption. Good government is a precondition for lasting prosperity.

A struggle to fly to the top

Michael Skapinker on the future of the Airbus project and the intense competition it is likely to face from Boeing in the next century

rance'e announcement this week that it is to begin restructuring its defence industry will give heart to those who hope that a re-ordering of Europe's civil aircraft industry will not be far

The decision to hegin merging Aérospatiale and Dassault, France's two eerospace manufacturers, comes et e time of growing concern over the future of Airbus Industrie, the European civil aircraft maker in which Aérospatiale plays a leading

Over the next year, Airbus will have to take two decisions which will determine whether it remains a substantial competitor to Boeing of the US in the next century. The first is whether to change

Airbus's corporate structure, making it a profit-making entity in its own right rather than a co-ordina-tor of other companies' manufacturing efforts.

The second is whether to spend

np to \$12hn huilding a double-decker "super jumbo" which can compete with Boeing in the large aircraft market. Finding this money will not be easy as investors are likely to he unenthusiastic. "They're going to think back to the last big infrastructure project -Eurotunnel," says Mr Chris Avery, an analyst at Paribas Capital Mar-

Just a year ago, Airbus - which is owned by Aérospatiale, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain - was celebrating a rare triumph over Boeing, the world's leading aircraft manufacturer. In 1994, Airbus won more orders than Boeing, the first time that the US company had lost the top spot since the advent of the jet age.

Last year, however, Airbus suffered the humiliation of falling to third place. Not only did Airbus win only 106 aircraft orders to Boeing's 346, it also took fewer orders than McDonnell Douglas, believed by rival executives to have no long-term future in civil aircraft production, McDonnell Douglas won 110 orders.

Boeing has beaten Airbus to two substantial Asian orders in recent months: late last year, Singapore Airlines placed an order for 77 Boeing 777s. Last month, Malaysia Airlines ordered 15 Boeing 777s and 10

Boeing 747-400s. Airbus's defenders say, however, that the gloom over its prospects should not be overdone. One year's orders cannot be taken in isolation. Airbus has, over the past few years, managed to win more than 30 per cent of the civil aircraft market.

Airbus delivered 124 aircraft to airlines last year, only a small increase over the 1994 figure of 123. But Airhus's turnover last year was a record \$9.6bn, an increase of \$1.1bn compared with 1994. This was because the consortium last year delivered a higher proportion of wide-hodied A330s and A340s than in 1994. Airhus has also huilt up a large

customer base since its foundation 25 years ago. There are already 1.334 Airbus aircraft in service with 130 operators.

Mr John Leahy, bead of Airbus sales and marketing, insists the consortium's position in the Asia-Pacific region is still strong, in spite of Boeing's successes in Singapore and Malaysia. Mr Leahy says that in the battle between the Boeing 777 and the Airbus A330 and A340, the European consortium has taken 41 per cent of the Asian market against Boeing's 34 per cent. Airhus, he says, can still echieve its goal of winning 50 per cent of

world market by 2000. mer chairman of Daimler-Benz and But to do this in a market where head of Airbus's supervisory board, price-cutting is common, Airhus needs to cut manufacturing costs. will report on whether the GIE structure should be abandoned, Some in Airhus helieve cost allowing the consortium to become e limited company. reduction is hampered by the consortium's structure. Airhns is a As e limited company, Airbus

Groupement d'Intérêt Economique. could take nne of several forms. it which means that any profits or could be responsible for product losses it makes accrue to its partdevelopment, sales and marketing ners rather than to itself. Work on and final assembly of aircraft, put-Airhus aircraft is shared out in ting out the manufacture of components to tender. Alternatively, it accordance with each partner's stake in the consortium. Aérospacould take responsibility for all the tiale and Dasa each hold 37.9 per partners' Airbus manufacturing cent, BAe has 20 per cent and Casa 4.2 per cent. Critics of the GIE Placing e value on the different

manufacturing fecilities would raise serious difficulties, however. not least because BAe has done much more to reduce costs than Aerospatiale nr Dasa.

BAe is more confident than the

in a more competitive environment. Although the French and German partners have declared themselves in favour of e move away from the GIE structure in principle, many aerospace executives from the two countries appear reluctant to allow anything to happen soon.

other partners that it could thrive

Mr Manfred Bischoff, Dasa chairman, said that while a new system might one day be required, the existing structure hed demon-strated its edvantages, allowing Air-hus to establish its substantial presence in the market. He said: "The existing Airbus system must be competitive, otherwise we wouldn't have reached the position we have." Several senior Aérospatiale executives are also, privately, against any change. Some defenders of the exist-

ing set-up say Airbus's manufactur-

over 500 passengers. Few doubt that Airbus has the technical skills to build the A3XX. Mr Leahy puts the cost at \$8hn. although Mr Bischoff said last week that the sum could be as high as \$12bn. Mr Christopher Tarry, an analyst at Kleinwort Benson, says

final development costs are unlikely to be much higher than this. Creating a new aircraft costs \$10m to \$15m e seat, suggesting that e 550-seater could be developed for as lit-

ing costs are controlled by the mar-ket. Airbus establishes the price at

which an aircraft will sell and then

calculates the amount it is prepared to pay the partners for manufactur-

ing components. As the selling price of aircraft falls, Airbus drives a harder bargain with its component

manufacturers, forcing them to cut

costs if they want to make a profit.

The critics counter that Airbus cannot threaten to go to another manufacturer if it does not get the

Airbus wants, however, to move

ahead on its second important deci-

sion: to build the A3XX, which could carry from 550 to 800 passen-

gers. Mr Leahy says he wants Air-

bus to announce it will go ahead

with the project by the end of 1997.

Airbus sees the jet as essential to counteract the dominance Boeing

has achieved in larger aircraft. That

dominance allows Boeing to offer discounts on smaller aircraft, where

it competes directly with Airbus, and charge full prices for its 400-

seat 747, a sector of the market from

which Airbus is absent. Observers believe this was the strategy Boeing

Boeing has already said it expects

to announce before the end of the

year that it will begin work on the Boeing 747-600X, which will carry

used to win Malaysia's order.

price it wants from one partner.

ven at this level, however, analysts helieve private investors are unlikely to be interested. Airbus will have to look elsewhere for the development cash. Under a 1992 agreement between the US and the European Union, governments can fund one third of the development cost of or a new aircraft. While some might find the idea of the cash-strapped French and German governments putting up the money unlikely - and the thought of the UK stumping up

far-fetched. Governments have seen a good in the Airbus A320, Mr Avery says. Airbus says partner governments funded 75 per cent of the \$1.7bn cost of the aircraft, which is being paid

cash langhable - Mr Avery of Pari-

bas believes the notion is not that

Airbus says some of the development costs for the A3XX could come from new partners brought in for the project. There are several Asian countries which want to expand their aerospace sectors. Mr Bischoff believes partners could be

found in Russia too. The difficulty is that Boeing will be able to develop its "super-jumbo" much more cheaply, as it will base it on the 747's technology. Mr Avery believes Boeing's development cost could be as little as \$1bn. Boeing also eppears to have gone further in talking to potential customers, such as British Airways, Singapore Airlines and Lufthansa of Germany.

What Airhus does have is the cash flow from its existing models to help fund future development. As its executives point out, this is a better position than the one from which they began a quarter of a century ago, with no customers, cash flow or products.

OBSERVER

Tut, tut... Lutu

South Africa's Truth Commission, headed by the irrepressible Archhishop Desmond Tutu, is about to start its two-year task of investigating, and hopefully laying to rest, the gross human

rights abuses of the past 30 years. Investigating these abuses, and granting amnesties to those who fully confess, is a formidable task to complete in such a rélatively short time, even for a man with Tutu's energy. It's also going to be

So this week members of the commission have been out, cap in hand. So far they have succe persuaded the Swedes to part with a million rand to help set up a sophisticated computer ba Ambassadors from other European countries have also been called in and asked to make a contribution. But is the Truth Commission telling its potential foreign benefactors the whole story?

Because the commission was so slow in getting off the ground, it has just lost R47m allocated to it. by the ministry of finance this year. And the men at the ministry who are battling to find ways of cutting the budget deficit, are adamant that the money will not be rolled over into the next financial year.

Perhaps the Truth Commission needs first to secure an anmesty of ... Threen Schneider, the disgraced

its own so that it can tell the whole story about its own financial

structure say Airbus does not even

know what its costs are. Only the

four partners know bow much it

leadership of Mr Edzard Reuter, for-

In June, a committee under the

really costs to make Airbus parts.

Heir disapparent The fantasy world of Mickey

Mouse might have provided the inspiration for EuroDisney, but the rather more pragmatic milieu of the French hotel sector seems to be turning into the principal source for the theme park's senior executives.

Philippe Bourgulenou, who displaced an American to become chairman of the park in 1993, hopped across after a career with the French botel group Accor. Now Gilles Pelisson, who defected to EuroDisney from the same group last year, is taking over as president from Steve Burke, who returns to his native US.

All good news for EuroDisney, perhaps, but not so great for Accor. After all, Gilles, freshly fortified by his latest promotion, is now even less likely to return to the group where he spent 12 years and - as the nephew of Gerard Pelisson, the co-chairman of Accor - had been tipped as the "dauphin" to take

No hiding place Rogue trader Nick Leesen may have been able to slip into Prankfort sirport last year. But

German property tycoon, never had a chance. When he returns today he will be eccompanied by the world's press.

RTL, one of Germany's two leading private TV networks, has been gearing up for months to make sure it had an exclusive ahead of SATL its rival. It even paid a Lufthansa pilot for e photocopy of Schneider's ticket and promptly booked the rest of the aircraft to make sure SAT1 reporters could not get e seat. But in the excitement RTL was told Schneider was arriving on the 22nd, whereas in fact he was only touching down in Frankfurt on the

Money no object, however, and RTL has bagged all the seats on the next flight so that its reporters complete with cameras mounted in baseball caps, can record Schneider's return to justice

Peanuts return

I Just in case the German public. not to mention creditor banks, start to tire of today's Schneider TV extravaganza, the sorry saga has been made into e film. Satirical in tone, it features well-known actors in the lead roles and will be shown across Germany next

But there is a twist. The story has been exaggerated and the names changed. Schoeider (meaning tailor) becomes Jochen Schuster (shoemaker) and his wife

Claudia becomes Cilli, with distributor Warner Bros coyly saying any similarity with "living, fugitive or imprisoned people" is purely accidental, if unavoidable. However, the title of the DM5.8m production, "Peanuts - the bank pays everything", should leave audiences in no doubt. This harks back to the

unfortunate statement by Hilmar Kopper, head of Deutsche Bank, the main creditor, that the money owed to workmen when Schneider fied the country was "peanuts" compared to the DM5bn of debts he

Positive thinking

Times have changed in Albania the last east European country to overthrow communism. Britain is re-opening its embassy in Tirana after e 50-year gap and companies are queuing up to do business in an economy growing et 8 per cent e year. However, as Britain's foreign

secretary, Malcolm Rifkind. reminded guests at Wednesday's annual dinner of The Royal Society for Asian Affairs, not so long ago Albania (pop 3.4m) only had one real friend - China

(pop 1,2bn). Nevertheless that did not ston Albania'e late president Enver Horha boasting that the combined populations of Albania and China were the equivalent of a quarter of the world's population.

Financial Times

100 years ago

Tehuantepec Exploration Co The Chairman said at the first general meeting of the company, held in London: The property we are developing consists of 15,000 acres of the finest land selected on a spur of the Sierra Madre near the important town of Suchil. The property is in proximity to the newly opened Tehuantepec Railway, which connects the Atlantic with the Pacific coast. The future of the line is assured by the fact that the cotton spinners of Japan who desire to find e quick method of reaching the cotton districts of the United States, and the Jepanese Government, have consented to subsidise a line of steamers from Yokohama to Salina Cruz, the terminus of the railway, with the object of carrying cotton from New Orleans and Galveston.

50 years ago Far Rast war damage

A difficulty is the distinction between destruction perpetrated by the Japanese in the course of military operations and that done by Imperial [Allied] troops, or the companies themselves (under orders) as part of a "scorched earth". The whole matter bristles with difficulties but it vitally affects the interests of two basic industries of the British Empire, rubber and tin.

22

Another 14 accused as investigation continues

More Indian politicians face corruption charges

By Mark Nicholson in New Defhi

The net of India's biggest corruption case spread wider yes-terday as a further 14 senior politicians were charged with taking illegal payments from a Delhi

The Central Bureau of Investigation, a federal agency, said it was also seeking prosecution of Mr Madan Lai Khurana, chief minister of Delhi state and a leading member of the opposition Bharatiya Janata Party. Mr Khurana resigned yesterday.

The fresh charges and any prosecution of Mr Khurana would bring to 25 the number of top politicians from India's main parties accused in the Rs600m (\$16.5m) political payments affair.

The scandal has rocked India's political establishment and bitten deeply into the governing Congress party, which has now lost seven sitting ministers and several other political heavyweights

This second batch of charges, made at the Snpreme Court, included four ministers who resigned earlier this week, three former Congress ministers and Mr Sharad Yadav, a leader of the leftwing opposition Janata Dal party. Also charged was Mr N.D. Tiwari, an ex-Congress minister who last year spearheaded a breakaway faction.
Ten politicians, including three

ministers and the leader of the BJP, Mr L.K. Advani, were charged in January. This was on the basis of allegations in notebooks and testimony from Mr Surendra Jain, a businessman on bail for charges of dealing in illegal currency transactions, offering payments for favours and acting as a conduit for "kickbacks" to win deals for third parties. Mr Jain's evidence forms the basis

for the latest charges.

including ministers, remain under investigation by the bureau, which said it was prepar-

ing further charges.
The Indian Express newspaper yesterday quoted bureau officials as saying allegations against Mr P.V. Narasimha Rao, the prime minister, were "devoid of truth".

The scandal has enmeshed leaders from all but India's communist parties, but the toll has been heaviest in the Congress party. The loss of seven of the government's more than 60 sitting ministers may prove man-ageable, but the affair has caused deepening unease in the governing party, with elections due in

An internal party row over whether Congress MPs touched by the scandal should be allowed to contest the polls is brewing.

Editorial Comment, Page 21

Emu fears hit German bond issue

Continued from Page 1

blds. The bid volume of DM4.2bn was lower than usual. Of the full issue. DM1.2bn is for direct sale to investors, with the Bundesbank taking up DM4.6bn for market smoothing operations.

Mr Mark Fox, European strategist at Lehman Brothers, the US investment bank, called it a "somewhat bizarre saga". There were errors in bow the auction was handled, and bids were disappointing. "I suspect domestic investors are not buying because they worried about Emu.'

But the bond market's decline had also affected sentiment, be

Other economists said banks had fewer inhibitions about making low blds for Bobis because they did not have to support their role in a consortium.

Paris makes nuclear cuts

Continued from Page 1

the globe. Chirac's announcement of the closure of the Pierrelatte plant, which produces enriched uranium and plutonium, was intended to unblock negotiations in Geneva for a Comprehensive Test Ban Treaty and was his second major initiative to achieve a total end to nuclear tests, diplomats said. France, which ended its nuclear tests in the South Pacific on January 27, is the first of the five official nuclear powers - the others are the US, Russia, Britain and China - to have gone so far in bids to cut the nuclear threat.

Europe today

Lufthansa

British Rail accused of stifling access to Channel tunnel

Freight operators yesterday accused British Rail of trying to stifle competition on routes between the UK and continental Europe by trying to snatch all the available "paths" between London and the Channel tunnel. Railfreight Distribution, the BR subsidiary which operates trains through the tunnel, is understood to have reached a provisional agreement with Railtrack, owner of the track and signalling, to

acquire all the 35 daily "paths" in the railway timetable. The route covered by the agreement runs from Railfreight Distribution's depot in Wembley, west London, to the Dollands Moor freight terminal at the

entrance to the tunnel. As BR is privatised, operators of freight and passenger trains must bld for "paths" - slots in the timetable - and pay Railtrack eccess charges depending on the type of train used and the time of day. At the moment, "paths" are

used according to a deal reached with BR in 1994. The Rail Freight Group, which represents freight operators and their customers, says if the rail regulator epproves Railfreight Distribution's new deal, its members and the private companies operating freight terminals would be shut out of the routes for the next three years, Railfreight Distribution would have an effective monopoly over ship-

ments through the Channel tunnel, it argues Selling all the available train paths to one operator would contravene European Union regulations, which require interna-tional rail links between member

states to be open to competition. The European Commission last year told the UK and French railways to give up 25 per cent of their share of tunnel capacity to rival freight or passenger opera-tors. Railfreight Distribution had no comment on confidential contracts but it thought other paths were available to its rivals.

At present no other freight operators provide services through the the tunnel - shippers have to buy space on wag-ons run by Railfreight Distribution. But new companies entering the industry may want to start services, one freight expert said.

"We are considering running our own trains and would want our own paths at some stage in the future," one freight mover said. "We objected to Railfreight Distribution's agreement."

Wisconsin Central Transportation of the US is due to complete the acquisition of BR's beavy haul freight operations tomorrow while two other companies, British Nuclear Fuels and National Power, began domestic freight services at the end of last year.

Railfreight Distribution is running about 20 trains a day each way through the tunnel. But while traffic volumes are increasing it is unlikely to require all 35 paths for long. Signing up all 35 would, bowever, make the company more attractive when it is sold to the private sector.

The rail regulator's office said it was still considering the agreement between Railfreight Distributlon and Railtrack and it expected to give a ruling soon.

Thomson chief quit before he **GEC** deal

Thomson-CSP, the defence electronics arm of Thomson, and the UK's General Electric Company were on the point of signing a worldwide joint venture to pool

Mr Gomez and Lord Weinstock, GEC's managing director, were also in advanced discussions about forming a joint holding company encompassing the sonar business, 8 venture for future airborne radar and several other operations where they could com-

operations where they could com-bine their expertise.

The rapid pace of these interna-tional talks is thought to have provoked hasty announcements from the French government over the proposed sale of Thom-son, and that Dassault and Aérospatiale, the two French aircraft makers, were to merge Many senior figures in the French defence industry were away from Paris when the announcements

Both GEC and Thomson-CSF saw such ties in particular business sectors as precursors to an overall joint venture which would pool all of their defence electronics interests.

However, the French government wants to rationalise the electronics industry to improve its negotiating position before forming international alliances. The sudden decision to sell Thomson as a whole was widely being interpreted as a direct snub to GEC yesterday.

While the government would like to negotiate a sale of the whole of Thomson SA, which includes consumer electronics as well as defence equipment, electronics industry executives yes-terday cast doubt on whether the combined company could be sold.

have sufficient capital to buy the company unaided. A stock mar-

Given the difficulties of sale, GEC is unlikely to abandon its ambitions to form an alliance with Thomson-CSF. GEC has cash resources which the French industry needs. But the French government's refusal to enter into joint ventures with international partners which France does not control is likely to

Defence executives in Britain and Germany are sceptical that the proposed changes would do a great deal improve the competitivaness of the French defence

> Struggle to fly to top, Page 21 Sale of two halves, Page 17

could sign

By Bernard Gray and Hugo Dixon in London

Nelther of the two mooted

French buyers - Lagardère Group, the defence and publishing company, and Alcatel, the telecoms group - are thought to ket flotation of Thomson, including the lossmaking consumer

remain a barrier.

their sonar businesses when Mr Alain Gomez, the French defence group's president, resigned ear-

side, may also prove difficult.

The recent weakness in the world's bond markets is making investors nervous, and for good reason. The pattern bears a worrying resemblance to the first quarter of 1994, when the last bull market suddenly turned bearish. That downturn, the start of a dire year for financial markets, was prompted by a reversal in US monetary policy. But there was another reason for the sharpness of the turn; markets had performed particularly strongly in

So far this year, there has been no sign of any turnround in monetary policy. But the increasing emphasis on generating economic growth has shaken the world's markets, largely because inflationary fears had been so fully discounted. The fear is that targeting growth will allow inflationary pressures to reappear, causing rates to rise sharply. And bonds and equities are vulnerable to such concerns because they are already looking expensive. Furthermore, investors have nowhere to hide; low short-term

rates make the prospect of sitting it out in cash an unattractive one. Having said that, 10-year US bond yields, now back at 6 per cent, already look more sustainable. Provided the US treasury market provides a stable backdrop, other markets may continue to move ahead - and probably to outperform. But a reversal in US bonds would be a difficult trend to buck.

Mannesmann

The case for demerging Mannesmann's telecommunications arm is becoming stronger all the time. Tele-coms accounted for 8 per cent of sales but probably around half of the engineering conglomerate's DM900m (£396m) profits in 1995. Mannesmann's D2 digital mobile phone network is a gem. With almost 1.5m subscribers, growing at 60,000 a month, it is levelpegging with DeTeMobil, the mobile offshoot of state-owned Deutsche Telekom. After heavy investment. D2 now has a national network and should turn strongly cash positive over the next two years. Armed with five years of hard-won experience, Mannesmann has formed a promising-looking consortium with Veba, AT&T of the US and the UK's Cable and Wireless to challenge Deutsche Telekom once Germany's fixed telecoms market is liberalised in 1996.

Valuing the telecoms division on a discounted cash flow basts produces a figure of between Dm13bn and DM18bn, alarmingly close to MannesTHE LEX COLUMN

Growth pains

FT-SE Eurotrack 200: 1645.1 (+15.1) 10-year bond yields

mann's entire capitalisation of less than DM19bn. That suggests the stock market is placing little value on the group's machinery, antomotive and tube businesses, which had turnover of nearly DM30bn last year, despite the fact that they are virtually debtfree. True, their overall profitability is poor, with margins of around 2 per cent. But that is being addressed through a restructuring programme. Spinning off telecoms would have the twin benefits of attracting a higher rating for that part of the business while focusing attention on the recovery potential elsewhere.

British Gas

What unsettled British Gas shares vesterday was the news that the company expects to lose £400m next year in the business market. But it is precisely grim figures like these which underpin the logic of the company's demerger. The demerger does not remove the trading business's problems, but at least it leaves intact the capacity of the rest of the business to pay dividends.

There is in fact good reason to believe British Gas's shares are under-valued. Even if it had to cut its dividend, the value of TransCo Interna-tional alone should not fall far short of British Gas's current share price, And although British Gas Energy will be a highly speculative investment, it will still have some value. But British Gas is only for those

willing to take a long view. TransCo's value will not be clear until a big regulatory battle has been fought. And renegotiating BGE's long-term con-tracts could take years. There is no

until the separated BGE is clearly fac ing big financial problems. In the meantime it is conceivable that British Gas will persuade the Monopolie and Mergers Commission or the gov-ernment to ride to its rescue. But investors would be mad to count on it

Rank

Mr Michael Gifford is bowing out from 12 years as chief executive of Rank Organisation on a solid set of figures, and he leaves his successor Mr Andrew Teare, well placed for a profits upswing. Declining sales of Lottery scratch cards suggest the worst is over for Rank's bingo business, which was hit hard by the onslaught of the National Lottery Meanwhile interest rate cuts and building society hand-outs should encourage greater UK leisure spend-

Nonetheless, this recovery is in the price. The shares are trading at a 15 per cent premium to the market on 1996 forecasts, if one includes just divi-dend income from the Rank Xeron stake. Of course, capital expenditure is rapidly accelerating, but the ongoing development of Casis villages is costly at up to £100m a pop - long-term

and the concept is as yet unproved.

There is much Mr Tears could do no. boost Rank's shares. More detailed disclosure would identify value within Rank's current loose business groupings. Disposals or flotations of individual businesses could realise higher valuations on operations from casinos to film studios. And, after all, if Planet Hollywood is worth \$1bn, Rank's Hard Rock cafe subsidiary looks like a hid-

Rentokil/BET

Rentokil's offer to buy only 75 per cent of BET in return for a recommen-dation from BET's board is a clever bit of public relations. Having rushed into a hostile bid, Rentokil is trying to reclaim the high moral ground and save itself time, trouble and fees. Byrejecting the overture, BET looks churlish. Its argument - that a partial offer would crystallise capital gains tax liability - could be overcome, if Rentokil bought the whole then spun off the rump. BET's real objection is that the rump would be too small to satisfy its ambitious management.

> Additional Lex comment on Nationwide, Page 29

This announcement appears as a master of record only.



T&N plc £250,000,000

Revolving Credit Facility

Arranged by

NatWest Markets

Commerzbank Aktiengesellschaft

N M Rothschild & Sons Limited

Provided by

Senior Lead Managers

Commerzbank Aktiengeselischaft

N M Rothschild & Sons Limited

ABN AMRO Bank N.V.

The Bank of Nova Scotia

Midland Bank plc

The Sumitomo Bank, Limited

Lead Managers

Managers

Barclays Bank PLC

The Fuji Bank, Limited

Société Générale

NatWest Markets

Bayerische Vereinsbank AG

Standard Chartered Bank

Lloyds Bank Pic

Frontal systems moving in from the Altantic will influence conditions in western Europe. The British Isles and western France will have rain and strong but mild south-westerly winds, while a weaker frontal system across Norway, the North Sea, the Benefux and eastern France will bring cloud and some snow. Germany, Poland, the Alps and the Balkan states will remain cold with frost and some snow. Most of Spain and Portugal will have widespread sunshine, with temperatures reaching 15C along tha costas and the Algarve. Rain will persist along the north coast of Spain. Heavy rain is expected over Turkey, the Black Sea, the Ukraine and Russia, and Greece, former Yugoslavia and southern Italy will remain unsettled with Five-day forecast High pressure from the Atlantic will move twards over southern Europe, bringing more settled conditions to central Europe and the Mediterranean. During the weekend increasing south to south-westerly winds will draw milder air towards western Europe, bringing cloud and rain, especially over the British Isles, western France and Portugal. Eastern and northern Europe will remain frosty. Rangoon Reykjavik Rio Rome S. Frsco Seoul Singapore Strasbourg Sydney Tangier Tal Aviv Tokyo Toronto Vancouver Venice Vienna Warsew Washington Wellington Wellington tair integral fair fair fair cloudy cloudy sun fair cloudy rain fair Fano Frankurt Geneva Gibraitar Glasgow Hamburg Helsinid Hong Kong Honolulu Istanbul Jakarta Jersey Karachi Kuwait Cardiff Casablanca Chicago Cologne Dakar Dallas Delini Dubel Dublin Dubrovnik Ecinburgh Kuwait L. Angel Les Pair Lima Lisbon London The airline for people who fly to work.

Lux.bourg

FT WEATHER GUIDE

*Fighting for the party's heart and soul Fed chairman

Jurek Martin finds Republicans fragmented over the battle for the presidential nomination



So who, after congressman from Minnesota the presidential and a Dole supporter, but it on Drimary vote in New Hampshire owns the heart and soul of the US Republican Party? Could it possibly be Mr Pet Buchanan

ner, with bis right left punch of meral absolut-ELECTIONS ism and eco-nomic national-ism? is it

Senator Bob Dole, or bis younger and "lite" rival, Mr Lamar Alexander, guardians, with wrinkles, of the orthodox And what about Speaker

Newt Gingrich, principal, author of the Republican party's Contract with America, which hardly raised its head above New Hampshire's granite parapet? Yesterday morning's answer

is: none of the above. Just about the only unanimity discernible outside the Buchanan camp is the conviction that the commentator-politician has no prayer of winning the party's presidential nomination, let alone the White House itself. As Mr Vin Weber, former

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North Control



primary results*	
Pat Bochanan	27%
Bob Dole	26%
Lamar Alexander	23 %
Steve Forbes	12%
Richard Lugar	5%
Alan Keyes	396
Morry Taylor	-1%

and a Dole supporter, put it on behalf of the Republican estab-lishment: "Do we really want to beat Bill Clinton? Are we going to get serious about nominating the next president or are we going to continue to play games?" Mr Malcolm Wallop, former

senator from Wyoming and as orthodox a conservative as they come, goes further. Mr Buchanan, be says, is nothing less than a "socialist", one of the dirtiest words in US poli-tics, for his assault on Wall Street, the Fortune 500 and everything else that conventional Republicans hold dear. Mr Buchanan has an answer

to all this. The "knights and barons" of the party are retreating in fear from bis "peasants with pitchforks", the under-pald and nnderemployed who pin the blame for their plight on big government, corporate America and foreign competition

It is a populist argument that economists may rebuff. but without being heard on the bustings. The cover of the latest US edition of Newsweek magazine tells it all: Corporate Killers, the headline screan with snapsbots of the chief executives of AT&T, IBM, Scott Paper and Digital Equipment Underneath is a line that could have been written by Mr Buchanan: "Wall Street loves layoffs. But the public is as scared

The Buchanan hlue-collar constituency migrated briefly to the Republicans when Ronin 1992, it went back to the Democrats or was siphoned off by the independent candidacy of the Texas businessman Mr Ross Perot. It still may not amount to a majority - the combined New Hampshire total on Tuesday for Mr Buchanan and others of similar views came to less than a third of the vote - but it is noisy.



The winner in the first primary: Pat Buchanan, leading "peasants with pitchforks"

anan's victory has flushed out the real Bob Dole, after a mumbling, mean-spirited campaign in New Hampshire that deserved its result. In the most grudging speech beard from e conceding loser in many a moon, Mr Dole finally laid down his cards.

He regally dismissed Mr Alexander: "It's a two-man race for now and it's a one-man race soon," Addressing Mr Buchanan - but never by name - be finally spoke of the "fight for the heart and soul of the Republican Party", between "fear or hope, anger or optimism about the future."
The problem with this prond challenge, as has been the case throughout his campaign, is that the Senate majority leader

moves with the prevailing Already he has begun to It is possible that Mr Buch- promise a "more aggressive"

policy on US trade policy, differentiated only from Mr Buch-anan's unilateralism in that a Dole administration would use "the weapons given to us hy Congress" to force "fair" trade.

Mr Buchanan wants the US out of the United Nations and its conspiratorial "new world order" as perceived by the extremes of left and right in the US. The Dole difference is only of degree, as he attacks the person and performance of Mr Boutros Boutros-Ghali, UN secretary-general.

At least the gimmick-laden Mr Alexander - exquisitely characterised in the same edition of Newsweek by the columnist Joe Klein as having "less zing to him than unflavoured yoghurt" - had seemed more willing to take on Mr Buchanan in substantive

Yesterday morning, for

Buchanan has come as far as he has without preaching the virtues of a balanced budget and lower taxes.

Mr Gingrich is not a bosom

buddy of Mr Dole and he probably views Mr Alexander's support for his Contract with America as a tactical convenience. It may also be that the speaker's prized radical freshmen class in the House harbours more sympathy for Mr Buchanan than Mr Gingrich would like to admit. That class entered Congress after Nafta and Gatt were passed, and they frequently talk more the lan-guage of Main Street small business than that of Wall What all this presages, apart

from a re-election of President Bill Clinton in November, is a Republican convention in August, over which Mr Ging-ricb wants to preside, that could make the party's ideologically riven gathering in Honston in 1992 look like a tea party. That nightmare for the party establishment could be avoided only if Mr Dole, still with the edge in money and national organisation, is somehow strengthened by his cur-rent ordeal and appears less old, inarticulate and shopworn than he does now, or if Mr Alexander, whom some in the White House are said to fear,

catches real fire. For all that, the Buchanan forces will be at Houston in numbers, not shouting from the galleries as they did four years ago but on the floor as delegates and demanding, as a bare minimum, that the party platform be to their liking. The Democrats, from their conventions of 1968 and 1972, know tionaries could hardly be more what it is like to be in such an ideological pickle and what the Editorial comment, page 11

shows 'born Free Trade Agreement and the resolution of the trade negotiations on the Gatt, and he must be deeply disappointed that Mr

Shrewd Greenspan gives Clinton extra cause to back him for third Fed term, Michael Prowse writes

Operator, Mr Alan Greenspan, the Federal serve chairman, is leaving

On Tuesday, delivering his balf-yearly monetary testimony to Congress, he emerged as a "born-again Reichian", a supporter of the "investing in people" agenda pushed bard by Mr Robert Reich, the Labour Secretary, and President Bill Clinton.

Mr Greenspan seemed to be signalling his commitment to crucial aspects of Mr Clinton's economic agenda even though the White House has indicated it sees no alternative to his appointment to a third term as

Mr Clinton is not entirely peppy with Mr Greenspan: he thinks the Fed chairman could have done more to promote economic growth.

But Mr Clinton has been unable to find an alternative candidate acceptable to both Wall Street and the Republican senators who must con-

An announcement on Mr Greenspan's future - and candidates for other Fed vacancies is expected shortly, perhaps this week.

Addressing concerns raised in the New Hampshire primary, Mr Greenspan said that fears about "job insecurity" were justified because many workers were not keeping pace with rapid technological

The solution lay in a renewed commitment to effective education and training, especially on-the-job training". US business needed an Incentive to put greater emphasis on "human capital" - that is, the skills of the workforce.

"I closed my eyes and thought I heard the voice of Robert Reich," said a bemused Democrat on the House bank-

ing committee. Mr Reich, a strong intellecis widely regarded as one of the most left-wing members of

the Clinton administration.

Mr Greenspan's Fed term expires on March 2. Yet although he seems assured of renomination, Clinton aides are still agonising over choices for two other openings: the vice-chairmanship held until last month by Mr Alan Blinder, a Princeton economist, and the board seat of Mr

John LaWare, a Boston banker who resigned last year. The short list for the two positions is thought to include Mr Laurence Meyer, an economic forecaster and professor

s a shrewd political Louis, Mr Eugene Ludwig, the operator, Mr Alan comptroller of the currency, Mr Robert Shapiro, an economist at the Progressive Policy Institute (a Democratic think-tank), and Mr Peter Kenen, a Princeton academic specialising in international economics.

However, Mr Mike McCurry, the White House spokesman, said other people, not on this list, were also being consid-

Mr Clinton is known to favour a "pro-growth" candidate for the Blinder vacancy someone who would challenge the conventional wisdom that sustained growth of more than 2-2.5 per cent a year is impos-

His first choice was Mr Felix Rohatyn, the New York investment hanker. However, Mr Rohatyn, long an advocate of higher social spending and government intervention to spur growth, was forced to withdraw following vigorous opposition from Senate Repub-

The White House still hopes to present Congress with a "package deal" in which Mr Greenspan's renomination would be balanced by other s more acceptable to Democrats.

However, there is nothing to stop Republicans confirming Mr Greenspan and rejecting the other candidates if they seem ideologically unattrac-

In his congressional testimony, Mr Greenspan responded to Mr Clinton's criticism that the Fed was not sufficiently pro-growth.

He noted that the Fed had cut interest rates recently as a form of "monetary insurance". even though it was confident tbat signs of weakness in December and January would prove temporary.

He forecast growth this year at an annual rate of 2-2.25 per cent and inflation of 2.75-3.0 per cent.

almost identical to those publisbed last week by White House economic advisers, be was signalling that, in terms of numbers, he is no less optimistic on the economy than Mr Clinton.

In addition, Mr Greenspan nointed to the 1994 boomlet as evidence that the Fed was not under-estimating the economy's long-term growth rate.

Growth of 3.5 per cept that year led to a sharp rise in industrial capacity ntilisation and other signs of over-beatmg, which would not have bappened were the economy capable of sustaining at Washington University in St this pace of growth.

Evidence restores probe of Colombian campaign cash

Samper case re-opened

The inquiry into alleged drug any criminal charges. The The charges prompted Mr to evidence from Mr Alfonso Valdivieso, prosecutor-general, writes Sarita Kendall in

The congressional commission had closed its inquiry in December for lack of proof of involvement by Mr Samper, but Mr Valdivieso has accused him of electoral frand and illicit enrichment.

If the commission now decides there is sufficient evidence for formal charges, the case will go to the House of Representatives, which can then send the president for trial by the Senate. This could lead to his impeachment, with the Supreme Court to rule on

bia's main private sector organisations to repeat their call for Mr Samper to step aside while he defends himself. In a statement, they warn of his decreasing credibility and erosion of his ability to govern.

The statement also calls for transparency and impartiality, in a clear reference to the senators and representatives in the president's Liberal party under investigation for alleged receipt of drug money.

Mr Valdivieso formally indicted the president last week, as part of his office's probe into drug-linked corruption among congressmen and senior public officials.

cartel funding of Colombian whole process could take Samper, who denies any President Ernesto Samper's months. wrongdoing, to call for a quick clection campaign in 1994 is reopening the case, in response call crisis has moved Colombaccept a bill presented by his government to make the inquiry public. He has repeatedly rejected calls to resign amid allegations he knew about his campaign having received about \$6m from the

Cali drug cartel. Reuter reports: Mr Rodrigo Villamizar, Colombian mines and energy minister, said yesterday the state oil company Ecope-trol had offered 16 foreign oil companies the chance to participate in two shared-risk ventures to explore for oil in the eastern plains. The two areas, near the giant Cusiana and Cupiagua oil fields, have combined estimated crude oil reserves of 720m barrels.

Mr. Viliam Podhorsky

+ 42 7 5432 221

Argentine minister in salary top-up rumpus

example, he picked up Mr Wal-

lop's theme and tarred Mr Buchanan with the liberal

Democratic brush for pursuing

"the labour policies of Ted

Kennedy, the trade policies of

Dick Gephardt and the foreign

policies of George McGovern.

But his first battle is with Mr

Mr Gingrich? On Monday, the

Speaker of the House of Repre-

sentatives finally came out and

tion meant the probable loss of

the Republican majority in the

House. Mr Buchanan count-

ered that the speaker had bet-

ter "learn to live" with the

prospect of his presidential

The two self-styled revolu-

different, odd though it is to

cast Mr Gingrich in any con-

ventional mould. But he did

candidacy.

said that a Ruchanan nomina-

What of the hitherto silent

By David Piling

Mr Domingo Cavallo, Argentina's economy minister, has found himself at the centre of controversy after reveletions that, in 1994, he paid taxes equivalent to only \$5,009 on income of nearly \$260,000.

A leaked copy of Mr Cavallo's tax return, made public this week on the television programme Dia D, showed that the minister, in addition to his 1994 taxed income of \$59,137. received e sobresueldo (a top-up salary) of \$107,627, or about \$9,000 a month.

The revelation raises questions about the transparency of the Argentine administration, particularly because Mr Cavallo has made a war against tax evasion and corruption a centrepiece of his economic reforms.

Suggestions that the documents could have been leaked by a fellow cabinet member also raised concerns about a possible renewal of damaging tension at the heart of the

Mr Cavallo's return showed he paid no tax on the top-up. received as a "protocol allowance". Government officials were divided yesterday as to whether such an allowance, paid in accordance with a presidential decree of 1994, should be exempt from taxation or not. There was no suggestion that the payment itself was

Mr Horacio Crespo, partner at Coopers & Lybrand Argen-tina, said that "protocol allowances" were exempt from tax until March 1995, when the law was changed. Cash for such payments, he said, came from and slander" suggestions that battle within "reserved funds" attached to his actions were anything but one analyst.

the presidency. "The president above board. All ministers, isters' sobresueldos] and each year there is a decree - also secret - saying how the money

In addition to the top-up. Mr Cavallo's tax declaration also



Cavallo: took extra allowance

showed income of \$92,037 from financial assets. Such income is exempt so no tax was paid on this amount.

Mr Marcelo Zlotogwiazda, a journalist at the leftwing daily Pagina/12 and one of two pre-senters of the Dia D programme, said that, if Mr Cavallo's protocol allowance had not been exempt, the minister would have paid about \$45,000 in tax. Mr Zlotogwiazda described as "unethical" the indication that a man in Mr Cavallo's position seemed to have a portfolio of stocks and

Mr Cavallo described as "lies and slander" suggestions that

makes use of these reserved or whose regular salaries bad "protocol allowance", be said. On Tuesday, several cabinet ministers declared that they too received such sobresueldos, ranging from \$2,000 to \$6,000 a Mr Ricardo Gutiérrez, economy secretary, was quoted yes-

terday as saying that Mr Cavallo's declaration of his "protocol allowance" demonstrated his bonesty. Ms Maria Luisa Mac Kay of the newspaper Clarin wrote yesterday: "Cavallo gave details of his personal assets, perhaps more than any of his colleagues, down to the last "Cavallo is probably the cleanest member of the cabi-

net," agreed one investment banker yesterday. "He's probably one of the few ministers who could show his tax state-ment in public." However, the banker added, top-up payments might well be considered "improper" elsewhere. "We all know there is a lot of cleaning up to do." Allies of Mr Cavallo, ponder-

ing the question of who leaked the tax return, said there might be a campaign against the minister from within the cabinet. Mr Cavallo last year had unleashed months of bitter in-fighting by suggesting that "mafias" were operating in conjunction with some elements of Argentina's Peronist administration. That political tension, which

caused stocks and bonds to plummet last September, has since died down, helping a 40 per cent recovery of the stock market. "My main concern is that this doesn't open another battle within the cabinet," said

Crime in US pays better than entry-level jobs, says economist

Crime not only pays, in the US it pays better than entry-level jobs, according to a Harvard University economist, Reuter reports from New

If employers could raise hourly wages to the point where the jobs paid more than yooths can make from crime, Mr Richard Freeman believes, those employers would help to cut

Mr Freeman - also head of labour studies at the National Bureau of Economic Research in Boston - said youths in that north-eastern US city can make about 25 per cent more an bour from crime - or about \$10 an hour - than they can earn from an entry-level job.

So he wants the US government to order employers to increase the \$4.25 minimum hourly wage. In return, the government would rescind the part of the payroll tax which mit crimes don employers meet - money used to pay the costs of an employee's Social Security and Medicare work and steal.

so they wouldn't lose out.

Doing this for low-income workers, said Mr Gary Burtless, senior fellow in economic studies at the Brookings Institution in Washington, would involve not much money and "wouldn't cost the government a lot."

If employers "rehated the entire payroll tax

savings to workers, thet would increase their pay by about 8 per cent a week," Mr Burtless said. "But, of course, many employers might keep part of the tax savings for themselves." Mr Burtless said he favours raising the minimum wage, but be did not think that it was "absolutely clear" that there was a relationship

between crime and the minimum wage. The picture Mr Freeman's research presents is one of young males who "forage" for dollars hy whatever means they can. Those who commit crimes don't necessarily prefer this to work, be claimed. Many youths, he said, both



 \mathcal{I} T'S NOT JUST

THE WIDE OPEN SPACES

CONTRACTS & TENDERS

MINISTRY OF TRANSPORT, POSTS AND TELECOMMUNICATIONS OF THE SLOVAK REPUBLIC

THE INTERNATIONAL PUBLIC TENDER - GSM

1. The Ministry of Transport, Posts and Telecommunications of the Slovak Republic (hereinafter the Ministry), acting on the powers received in the Telecommunication Act n. 110/1964 and its amendments n. 150/1992 and n. 96/1993 hereby announces an international public tender for implementation and operation of GSM networks on the territory of the Slovak Republic and provision of GSM services.

2. On the basis of current legislation and GSM Recommendations the Ministry intends to grant 2 (two) Licences to provide public mobile telecommunication services according to the Global System for Mobile - GSM - communications standards using equal number of frequencies in the frequency bands of 890-908 MHz and 935-953 MHz.

73. The Invitation to Tender will be provided to Bidders against a non refundable payment in amount of USD 500 (or equivalent amount in convertible currency of Slovak Crowns in case of Slovak Bidders) in favour of the Ministry of Transport Posts and Telecommunications of the Slovak

the Slovak National Bank, Bratislava Bank account oumber: 19-9926-002/0720

810 05 Bratislava

A complete set of Bidding Documeoration in English language may be taken over in the Telecommunications Department of the Ministry from February 29, 1996 upon the presentation of Bidders may obtain further information about the hidding documeots at the following address:

Official address: Ministry of Transport, Posts and Telecommunications nám. Slobody 6 P.O. Box 100

Slovak Republic Address of Telecommunications Department of the Ministry where the Bidders may receive the

bidding documents: Mileticova 19, Bratislava attention to:

room oumbe tel number:

Ms. Erika Mala

+42 7 253 752 or +427 5432 279

+ 42 7 526 1982 All Bids must be delivered to the above office on or before 10.00 a.m. local time on May 10, 1996 and must be accompanied by a security of USD 200 000 (or equivalent amount in convertible currency or Slovak Crowns in cash in case of Slovak Bidders). The Offer Guarantee must be presented in a form of a bank guarantee issued by the Slovak Post Bank.

7. Into international public tender such bidders cannot participate who: a) did not buy Invitation to Tender (in accordance with issue 3 and 4.)

b) did not pay a non-refundable payment for Invitation to Tender (in accordance with issue 3.)

c) did not seed its Bid in time including bank guarantee (in accordance with issue 6.)

Zaire's efforts to encourage repatriation has exposed the sophistication of the camps

Rwandan refugees adapt to adversity

By Michela Wrong in Goma, east Zaire

noulevard Makomhé is eerily quiet these days. The Café Du Thé, where locals would gather for goat brochette, washed down with a bottle of Primus beer, has closed. So have the scores of other tiny restaurants, bars and clothes shops lining this once-busy avenue. Only a few sad piles of cabbages and spring onions are on offer, perched forlornly on wooden

Like a city paralysed by a general strike, the Rwandan refugee camp of Kibumba, home to 190,000 Hutus, has been engulfed by ennui since Zairean troops took up position around it last week, with orders to close all non-essential commercial activities and stop the constant to-and-fro of refugees entering and leaving.

Groups of young men, no longer allowed to trade in the in neighbouring fields and building sites, stand by the roadside, plunged into torpor. The government's action. aimed at triggering a mass voluntary repatriation from the settlements on Goma's volcanic soil, has exposed the extraordinary sophistication of the camps 19 months after they were established in chaos and confusion by Hutus fleeing the

Tutsi-dominated Rwanda Patriotic Front. Aid workers say the level of

commercial activity taking place in the settlements in Zaire's border region is unique in their experience. "I've worked in Mozambique, Somalia, Burundi and Yugoslavia, and I've never seen anything like this. Never," comments a UN High Commissioner for Refugees official.

A UNHCR survey carried out last year in Goma's four largest camps gives an idea of just how thoroughly the refugees have adapted to adversity. It listed nearly 82,000 thriving enterprises, including 2,324 bars, 450 restaurants, 589 shops, 62 hairdressers, 51 pharmacies, 30 tailors, 25 butchers. five ironsmiths, four photographic studios, three cinemas, two hotels and one abattoir.

Markets in the camps were so well-stocked with vegetables, grown on the tiny refugee plots, and western-manufactured commodities that Zaireans headed out to the settle-ments to do their shopping. Meat here, suspected to come from rustled cattle, is cheaper than in Goma. Until last year, when the buses were seized by Zairean officers, the refugees even ran their own transport service between the camps and Goma, using buses Japan once contributed to the former

Hutn gunmen who fled Rwanda after losing a civil war are fighting a local tribe to try to take over an area in eastern Zaire, aid officials and tribal leaders say, Reuter reports from Minova. Zaire. Heavily armed members of Rwanda's Hutu Interahamwe militia have forced 150,000 people from their bomes in the

Masisi region, witnesses said. The Interahamwe are fighting against members of the Hunde tribe who say their only weapons are spears and machetes. Hunde tribal leaders in Masisi accused Zairean authorities of allowing Rwandan Hutus to encroach on their traditional land. No reliable estimates of casualties from the clashes were

While the extent of private enterprise is a tribute to the resourcefulness of the Hutu community, aid workers say other factors helped contribute to the setting-up of a flourishing business community. Many of the refugees, per-

haps aware that their exile was not going to be a short one, arrived laden with war booty stripped from abandoned houses on the way in, assets later used as start-up capital. In the first horrific months, as cholera swept through the camps and killed tens of thonsands, aid organisations rushed in eupplies of food, plastic sheeting and utensils, often unknowingly duplicating their colleagues' work.

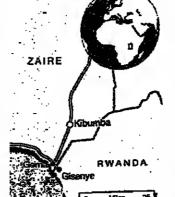
"There were scores of nongovernmental organisations doing their own thing, without consulting each other." an aid official said. "There was overdistribution of supplies and it was inequitable: the strongest

got them and stockpiled. It all helped to jump-start the camp

By closing the businesses, on the grounds they have not paid Zairean taxes and are therefore illegal, the authorities want to remind the Hutus they are refugees, reliant on food handouts and the indulgence of their host-country, while making it clear the camps are not going to be allowed to become permanent installations.

They are simultaneously targeting a community that has played a big role in keeping the refugees outside Rwanda: the exiled leaders who officially claim to support repatriation bot privately tell the refugees they risk death at the hands of Tutsis seeking revenge for the 1994 genocide.

"It's not applying pressure to the mass of refugees, it's apply-ing pressure to the leaders, who are often the same people as the shop-owners." Mr Car-



roll Faubert, UNHCR special envoy to Rwanda, said.
"It's economic pressure, yes, but aimed at a particular group that for the time being is

actively upposing repatria-tion." While such activities have been kept in check in other countries hosting Rwanda's refugees, such as Burundi and Tanzania, in corruptionridden Zaire the exiles have enjoyed unusual freedom to do as they please. Refugees have used Virunga

National Park as a woodlot. producing charcoal for their own use and sale in Goma. Three hectares of forest are felled each day, leaving denuded areas visible in satellite

morning saw a commuter exodus on the roads leading to

Thousands of refugees were heading for farms and huilding sites where they were paid in food, supplementing the rations offered by the World Food Programme and giving them commodities to barter

As the UNHCR waits to see what effect Zaire's more muscular approach will have on the refugee population, the crackdown on business activity has prompted speculation about what effect an eventual mass departure will have on the region's economy.

The arrival of 800,000 consumers in Goma, a town of only 200,000 people, sent prices soaring and the flood of often highly skilled workers willing to accept lower than average wages put many local Zaireans out of a job. But at the same time the sudden boom in construction work in Goma bears witness to the fact that many Zaireans have profited from soaring demand and a surplus

"If the refugees leave, there will definitely be an adjust-ment period, a UNHCR official said. "The refugees have dominated the market until now and the economy would go into a dive. We would be looking at a kind of mini-recesINTERNATIONAL NEWS DIGEST

S African MP quits after raids

Mr Abe Williams, a South African cabinet minister from the white led National party of former president F W de Klerk, resigned yesterday after police raided his homes and offices. Mr de Klerk said in a statement that Mr Williams, minister of welfare and population development, had quit the government in the interests of the party and of President Nelson Mandela's national government.

Investigators of the Office for Serious Economic Offences raided the premises in Cape Town and Pretoria while Mr Williams was at a cabinet meeting.

A minister in the Western Cape government said the inquiry concerned the award of a R149m (\$37.5m) contract to distribute pensions in the province, awarded to a substitute of arms manufacturer Denel. Mr Williams asserted instinuocence but the raid is a fresh blow to Mr de Klerk, whose party has been hit by a series of resignations. Mr Williams is one of six National party ministers serving in the government led by Mr. Mandela's African National Congress. Mr de Klerk sald he was seeking more information about the raids. He did not express his support for Mr Williams.

Qatar foils 'rebel plot'

Qatar stepped up security measures around vital locations in the capital Doha yesterday after the Gulf Arab state said it had foiled an anti-government plot by supporters of the country's deposed emir.

An officer told Reuters that military and security forces in oil and gas rich Qatar had been placed on "stand one" alert. Security measures around the ruler's palace, defence headquarters and other locations in the capital Doha have been stepped up since Qatar announced on Tuesday that it had arrested almost 100 people in connection with the plot. Qatar, a member of the Organisation of Petroleum Exporting Countries (Opec), is the site for one of the US weapons pre-positioning centres in the Gulf. It also controls the world's third largest gas reserves.

Sheikh Hamad, after months of consolidating his power in Qatar, toppled his father, Sheikh Khalifa bin Hamad al-Thani, in a bloodless palace coup in June. Sheikh Khalifa, who was ? abroad when his son deposed him, returned to the Gulf area in December, vowing to regain power and emphasising that he is

Fears over Kuwait human rights

Amnesty International yesterday said Kuwait's failure to deal with hundreds of human rights violations after the Gulf war in 1991 was fanning fears that rights were being flouted with impunity in the oil-rich nation.

Knwait imposed martial law for four months after the Iraqi army was expelled by a US-led multinational force in 1991. The human rights group said in a report released yesterday that during that period extrajudicial executions occurred and at least 70 people accused of collaborating with iraq

disappeared. In addition, more than 160 people arrested under martial law, most of them non-Kuwaitis, were jailed after what Amnesty called "manifestly unfair" trials between 1991 and Amnesty welcomed positive steps by Kuwait such as the

abolition of the State Security Court and moves towards ratification of international buman rights treaties.

"However, the Kuwaiti authorities should investigate and redress all outstanding cases of human rights violations,

Turks and Kyrgyz clash on joint ventures

FT: Feb. 22,96

When the Central Asian republic of Kyrgyzstan gained its independence in December 1991. Turkish businessmen were the first to seek investment opportunities. The appeal of a common history, with the potential of an emerging market desperate for foreign capital, drew in 107 Turkish ven-

tures responsible for 20 per cent of all foreign investment. Four years later, Turkish enthusiasm for the mountainous republic has faded and the Kyrgyz wbo welcomed the

Two Turkisb-Kyrgyz joint ventures, a furniture and a leather factory, have been plagued with problems. A third joint venture, construction of a \$25m four-star botel outside the Kyrgyzstan capital of Bishkek, has been torn apart by disputes. Still unfinished, the Ak-Keme Pinara Hotel is said

openly resentful.

\$25,000 a day.

Worse for Kyrgyzstan, nine Turkish ventures which drew on a \$45.5m credit line from Turkey's Eximbank have yet to make the required interest payments. The row at the Ak-

to be losing an estimated

Keme Pinara Hotel, originally scheduled to open last December, highlights the reasons why the Turks and the Kyrgyz have failed to get along.

Both the Kyrgyz company Ak-Keme and the Turkish construction company Sistem Muhendislik, which each hold 50 per cent of the venture, have accused each other of trying to obtain full ownership of Mr Rusian Sarymsakov, pres-

ident of Ak-Keme, claims his Turkish partner has refused to account for his expenditure. Mr Fehlm Yenice, president of Sistem Muhendislik, says a turnkey contract does not oblige him to show his bills and charges in turn that Ak-Keme owes him \$2m.
The dispute came to a head

in mid-December, when Mr Sarymsakov pulled out of the joint venture and locked his former partners ont of the hotel premises. The Turkish embassy wrote a stern note to the Kyrgyz foreign ministry, heavily criticising this act. Mr Yenice immediately demanded compensation and threatened to go to international courts. Mr Askar Akayev, the Kyr-

gyz president, has tried to stay out of the controversy, calling the row a purely commercial matter that needs to be solved by the former partners. But he recently vented his frustration in a press conference.

The Turkish ambassador. Mr Metim Goker, insists there are no problems with Turkish investments, which make up 20 per cent of all direct foreign investments and include 107 joint ventures. Despite its disillusion with

Turkey, Kyrgyzstan's government is trying to restore its credit rating by repaying the Eximbank credit. But without a resolution of the botel dispute, any further significant

Turkish ■ The collapse of the largest

savings bank of Kyrgyzstan will affect more than 1m cltizens but is unlikely to affect the country's commercial oanks, officials and Western bankers said vesterday. Sander Thoenes reports. The country's central bank

last week declared Kyrgyzel-bank insolvent, cancelled its licence and effectively took over the assets. It promised to pay back deposits in full but would only compensate part of

NEWS: ASIA-PACIFIC

fight against piracy

A series of attacks by Chinese pirates on commercial shipping in the South China Sea prompted President Fidel Ramos of the Philippines yesterday to call on his neighbours to co-operate in combatting the problem. The Philippine navy had

fought armed pirate boats within the country's maritime zone on more than 10 occasions in the past nine months, Mr Ramos said. The problem posed an increasing threat to the integrity of regional seaborne trade.

Other south-east Asian nations, including Indonesia, Malaysia and Thailand, had suffered from a rise in piracy, emuggling and high seas robberies within their economic boundaries in the past two years. Mr Ramos said. South-east Asia is host to some

"No country has all the resources, all the vessels and

manpower to curb the menace piracy poses to peaceful shipping and commerce of all nations," said Mr Ramos. "The control and suppression of piracy and other lawless acts on the sea call for a concerted and deliberate regional response. It is [our] hope that the regional community will rise to meet this challenge. Mr Ramos's plea comes just

two weeks after 20 Chinese pirates were arrested in Philippine waters after clashing with Philippine naval boats. The incident followed the sinking of a "pirate" Chinese naval vessel 120km off the Philippine capital in a gun hattle last

The Chinese government denied knowledge of the incident, but Philippine officials claim they bave proof that "rogue" Chinese naval gunsay the clash, which took place 35km from the Subic Bay Freeport, the former US naval base now the Philippines' fastest growing special economic zone. was the latest in a series of run-ins with clearly identified Chinese naval boats. Military officials said the

three boats, Huenfen fast attack craft flying the Chinese flag, were operating from naval bases in southern China, including Shantou, Kityung and Senwei. No official protest has been lodged with China. As part of the effort to com-

hat piracy, the Philippine air force said earlier this week it would acquire US air-to-surface Harpoon missiles to strengthen aerial policing of the country's 200-mile exclusive economic zone. The air force would buy 18 SF-260 TP aircraft once funds had been released under the country's armed forces

Ramos calls for aid in Behind the mask of Asian harmony

Japan's joint currency operation is elaborate theatre, writes Gerard Baker

Thure kabuki - this was Currency market theatrics; pushing the yen lower of one foreign financial observer to the scheme announced this week by Japan's government for a form of joint operation with its Singaporean and Hong Kong counterparts in Asian currency

The reference to the country's most ornate dramatic style, whose elaborate and spectacular theatricality tends to emphasise form over content, is a reasonable account of how the Japanese authorities are at present trying to achieve their aims in foreign exchange markets.

On Tuesday the Bank of Japan said it would in future trade in the ven/dollar market in Hong Kong and Singapore through the two countries' central banks. Officials hailed the agreement as a great leap towards intergovernmental co-operation in Asia. They pointed out that Singapore and Houg Kong had the world's fourth and fifth biggest foreign exchange markets, and said similar deals might come elsewhere in Asia.

Behind the mask of Asian economic harmony it was not difficult to detect a rather more prosaic objective: another attempt by Japan to push the yen lower. In fact, the decision was a further illustration of the near-obsessive importance the Jananese authorities now place on the exchange rate as a determinant of the country's economic prospects.

Having successfully brought the yen down from its heights last spring, they have watched with concern in the past few weeks as the US dollar has fallen back.

nphasising form over conten

conditions for eight years. Manufacturers, who cut costs as the yen rose to its

stand. Last April the yen peaked at Y79 to the dollar. Thanks, at least in part, to huge intervention by the Bank of Japan, and to a similarly spectacular series of exchange market gestures by the finance ministry last summer, the cur-rency dropped rapidly, settling at around Y105 at the start of this year.

The movement was almost precisely mirrored by the stock market. The Nikkei 225 index hit bottom last summer below 14,500 and since then has risen by nearly 50 per cent.

The improvement in real eco-nomic fortunes has been even more pronounced. Since last summer, industrial production has grown more than 2 per cent as signs of a broader recovery have multiplied. This week the government's index of economic indicators showed

peak, now find themselves with a more comfortable cushion of profitability from which to expand production. The authorities are anxious this fragile recovery should not

lose momentum; they believe the simplest way to maintain it is to keep pressure on the exchange rate. So, as the dollar has weakened somewhat in the past few

weeks, from Y108 to as low as Y103 earlier this week, they have turned again to currency market theatrics. They are well aware that a number of factors may conspire in the next few months to undermine their weak-yen strategy, and are anxious to bead them off. Interest rate differentials between Japan and the US have narrowed as US rates

have begun to fall again follow-ing the Federal Reserve's easing of monetary policy in the past two months. The spread between US and

Japanese ehort-term rates has slimmed from 5.3 per cent last September to 4.2 per cent this week. The trend seems to be towards a further narrowing as US rates are expected to fall further while the next move for Japanese rates, already close to zero, seems almost certain to be up.

Adding to the pressure is the

asonal factor of end-year repatriation of overseas funds by Japanese financial institutions. Banks and life insurers have begun the complicated juggling of their financial accounts for the fiscal year-end next month; many face the usual need to bring funds back to Japan to repair their bal-

A third element has been of those institutions about the dollar's recovery last year. The-Y105-Y110 range was widely seen as the top end of the dollar's medium-term achievements: some investors believeno further gains can be eked out of dollar assets. In the past few months Japanese net buying of foreign securities has slowed sharply.

In the face of these pressure, the deal with Hong Kong and Singapore is seen by the finance ministry as an important defence against any further weakening of the dollar.

But it is, in fact, mostly theatrical. In practical terms the agreement makes little real difference to the ability of the Bank of Japan to influence markets there. The bank can, and does, already intervene in those markets through com-

mercial banks. The government hopes instead that a rare public display of Asian co-operation will impress traders. They want to give the impression a weaker dollar will be challenged by a united front across Asia's currency markets.

The markets may not need the display. The fundamentals driving currency levels, most notably Japan's shrinking current account surplus, point to a further weakening of the yen over the next few months in

But the Japanese government's action shows how reluctant it is to take chances. It undonbtedly has many other schemes should they prove necessary, which suggests that a period of volatility seems likely. That should give the markets a chance to enjoy much more kabuki.

Australia poll fight turns to industrial relations

By Nikki Tait in Sydney

The focus in Australia's federal election campaign switched to industrial relations yesterday, with the Australian Council of Trade Unions, the leading union body, warning that any moves by a Liberal-National coalition government to remove workers' protections would be fiercely resisted.

"If they want a war, they'll have the full symphony, all the pieces, all the clashes, all the music," Mr Bill Kelty, ACTU secretary, told a rally of union members attended by Mr Paul Keating, Labor prime minister, in Melbourne. Mr Kelty warned the coali-

tion not to come to the ACTU whingeing and complaining if the long-standing "accord" between the unions and federal government was scrapped. The accord is esseutially an incomes policy, under which the unions promise some wage restraint in return for the government furthering a specified

"Don't come back whingeing and complaining when we go to the marketplace," be said. Members would push for big increases. "Don't come back to us, asking for agreements and understanding."

The prime minister's office put out a commentary on the coalition's industrial relations policy, claiming there would be inadequate safeguards for wages and conditions. It esti-mated 1.7m people seek new jobs each year, often the young or low-paid. They would be most vulnerable, virtually obliged to take individual contract conditions.

Separately, the battle over how parties will fund their extensive election promises continued, with Mr Peter Costello, shadow treasurer, releasing new costing assessments. Labor had previously alleged a A\$5.8bn (£2.8bn) "hole" in the

coalition's costings. The Liberal-National coalition now says it bas earmarked A\$6.3bn-worth of new spending over three years, but would pay for this through

A\$2.6bn and spending cuts of A\$6.3bn. Mr Costello said be had "secured advice from financial markets" that the sale of one-third of Telstra, the large government-owned telecoms group, would be feasible by July 1997, and this would "an optimal time for price".

The sale would raise an estimated A\$8bn, A\$1bn of which the coalition would devote to its environmental programme. The sale would be larger than any previous privatisation or stock market flotation in Australia, and the coalition has indicated it would restrict foreign ownership to no more than 35 per cent of the publicly held shares.

Even if the sale is technically feasible, the Australian Democrats (one of the minor parties) reiterated their strong opposition to the Telstra move yesterday. The minor parties, notably the Democrats, are expected to hold the balance of power in the Senate, through which any sale legislatiou

The concern is easy to under-Seventh Indian minister quits after bribe claims

in New Delhi A seventh Indian minister

resigned from the Congress party government yesterday for alleged involvement in the political bribes affair that prompted three other ministers to quit earlier this week. The scandal is widely expected to result in formal charges

against more senior politicians

being filed today. Mr RK Dhawan quit as minister of urban affairs on the eve of representations to the

supreme court by the central bureau of investigation, leading the probe. The supreme court, has insisted the bureau put no-one "above the law". Like his three ministerial colleagues who resigned earlier this week. Mr Dhawan has not

been charged. But the bureau

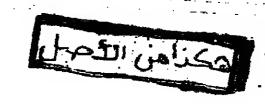
is understood to have identified Mr Dhawan as an alleged recipient of money for favours paid by Mr Surendra Jain, a New Delhi power and steel businessman, from notebooks which, with Mr Jain's subsequent testimony, form the core of evidence in India's broadest post-independence corruption scandal. The initials of the minister figure in two coded diaries seized by the burean

from Mr Jain, listing 115 politicians and bureaucrats be allegedly bribed between 1988 and 1991 in return for favours. Most of the politicians accused have denied accepting money. Others have admitted taking political contributions but have denied giving favours in return.

Three ministers have already been charged and since resigned Mr Dhawan's resigna-

tion follows those this week of fellow Congress ministers Mr Kamal Nath, Mr Buta Singh and Mr Arvind Netam, in what the governing party is now advertising as a "cleansing of public life".

Mr Vithal Gadgil, a Congress party spokesman, said the resignations will "help the image of the party", before elections expected in April. "The people



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US utility rejects nuclear sell-off claim

By David Lascelles and James Biltz in London and Richard

Nuclear privatisation was thrown into confusion yesterday when Mr Tim Eggar, the British energy minister, confirmed that be was considering a purchase approach by Duke Power, a leading US utility, only to have the company stated dang any interest. flatly deny any interest. Mr Eggar said: "We have had

an indirect approach and it is

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of a very preliminary nature." The approach was being considered, he added, because the government's duty was to obtain best value for the taxpayer. However, Ms Guynn Savage, corporate spokes-person for North Carolinabased Duke Power, said: "I can say emphatically and vehamently that we have expressed no interest to the UK government, nor has anyone contacted us about a potential pur-chase of the UK nuclear units."

informal contacts between merchant hankers at Schroders and BZW. the government's advisers on the nuclear sale. Although Schroders is not retained by Duke Power, it told BZW that it was sounding out UK government thinking on behalf of the US company. Duke later confirmed that it monitored privatisation devel-opments worldwide in order to identify potential business

opportunities. Schroders

night. Nevertheless, the bank is understood to ba furious about the leaking of its contacts and what it sees as the misinterpretation of their pur-

Apart from creating confusion and embarrassing a minis-ter, yesterday's developments cast the sell-off in a new light by showing that the govern-ment is willing to consider a private sale instead of the planned flotation, However,

there are thought to be few companies which would be able to make a purchase of this scale - estimated at £2.5bn (\$3.9bn) - with all the nuclear liabilities attached to it.

Even so, the government received a welcome boost for the sell-off from backbench MPs yesterday. A report by the trada and industry committee of the House of Commons raised no fundamental objections to the privatisation,

Labour MPs on the committee disassociated themselves from the report, claiming that concerns over the nature of the liabilities "underlina aerious flaws with the proposed plan". Mr Martin O'Neill, the Labour chairman of the committee, said be would personally "not be happy" to see the industry privatised.

Lex, Page 12

By Robert Rice, Legal Correspondent

The home secretary's power to decide when to release prisoners serving indeterminate sentences was called into question yesterday by the European Court of Human Rights. The decision of the Strasbourg court came in a case brought by two men convicted of murder when they

were inveniles. It could force the British government to change the pro-cedures for determining the length of sentence to be served by prisoners detained "et Her Majesty's Pleasure", a proce-dure which leaves the length of sentence for inveniles in the hands of the home secretary acting on advice from the

Parole Board. The judges said the inability of the two men to have the lawfulness of their continued detention or redetention reviewed by a court amounted to a violation of the European

Convention on Human Rights. Mr Michael Howard, home secretary, said the government believed the procedures which had been condemned by the court worked well but it would carefully consider the implications of the judgment. He added, however, that the decision did "not affect a home secretary's power to set the tartff in such cases".

When inveniles are sentenced to be detained "at Her Majesty's pleasure", a minimum term or tariff is set at the outset. Once that minimum has been served the home secretary has the power to extend the sentence by execntive decree until he is satisfied that the prisoner is no

lower a danger to the public. The bome secretary's power to set tariff periods longer than recommended by judges is the subject of a separate challenge before the Strasbourg court by Robert Thompson and Jon Venables, the two boys convicted in 1994 of the murder of two-year old Jamie

Bulger in Liverpool. The court recommended that they should serve a minimum of eight years, but Mr Howard extended the tariff period to 15 years. Yesterday's decision will mean that once they have served 15 years a court and not the home secretary will decide for how much longer they should be detained. But victory for the two boys in their own court challenge could force the government to remove the home secretary's role in determining sentences in such cases.

Sir Ivan Lawrence, a lawyer and the Conservative chairman of the House of Commons home affairs committee, defended the home secretary's role. But be joined MPs from all parties in calling for the human rights convention to be incorporated into British law. Breish people were getting "a ib" e fed up at being told what to do by foreign courts", he said, and incorporation would allow British courts to decide

German minister issues warning on arms projects

By James Harding and Bernard Gray in London

Mr Volker Rühe, the German defence minister, yesterday issued e stern warning to Britain thet it must participate in collaborative European arms projects if it wishes to join the new Franco-German arms egency.

In particular, Mr Rühe said in an interview with the Financial Times, that if the UK decided not to join the new Multi-Role Armoured Vehicle programme, it would be excluded from the agency created to co-ordinate arms needs and purchases.

"The relationship with the so far German-French agency is, as I have said before, such that you cannot go through the door without any common projects," Mr Rûhe said. "But with Britain would participate in pean projects, however. Refer-

the MRAV [Britain] will get through the door. I am optimis-tic that it can be achieved." The UK Ministry of Defence'e main procurement committee met yesterdey to decide wbether accept the apecifica-tion agreed between France and Germany for the MRAV "battlefield taxi", and a decision is expected soon. The Franco-German specification is minutely detailed, whereas the UK would prefer a shorter specification of the basic

Following a meeting with Mr Rühe in London, Mr Michael Portillo, his British counterpart, dismissed auggestions that the UK should consider alternative plans to build the multi-role armoured vehicles independently. However, be

requirements.

German defence minister Volker Ruhe reviewing a guard of honour in London yesterday the joint MRAV programme, The meeting between the two ministers was intended to resolve an impasse over the MRAV programme after Germany told Britain that, unless it agreed to join by the end of the month, the Germans and French would proceed on their

There are still doubts about

ring to the British decision to buy US Apache attack helicopters last year, Mr Rühe said the UK most strengthan its European credentials, "We are not discussing philosophy there, but we are co-operating on common projects. As I have put it, with the Apache in your arms, it is difficult to go

through the door." should be open competition for

such contracts, including those for the MRAV.

The German minister issued stark warning that collaboration between the three countries was the only viable course for Europe's leading defence industries. "It is a luxury that we develop and build three tanks in Europe, three fighter aircraft, Britain argues that there and three frigates, three

Northern Ireland Friends of Sinn Féin register \$1.1m

Destination of funds raised in US remains a mystery

By Jimmy Burns in London and Patti Waldmeir

in Washington The Cliuton administration's decision last March to allow Mr Gerry Adams, the Sinn Fem president, to raise funds in the US instantly revived the financial fortunes of the Irish republican movement across the Atlantic.

Within days Mr Brian O'Dwyer, a New York lawyer whose clients include Irish-Americans sympathetic to the Irisb republican cause, confirmed that a fundraising lunch at New York's Plaza Hotel had been a sell-out, with 250 guests paying \$200 (£130) each. Fundraising has continoed to grow ever since, and the potential dangers of it being diverted to the IRA are only now becoming apparent.

The \$1.12m that Friends of Sinn Féin, the republican movement'a public fundraising organisation in the US, has been required by law to regis-

ter with the US Department of phones, office supplies and Instice, accounts only for last year.

But, as the organisation's US \$249,657.20 on August 7 1996, accountants admitted, this marked "Dublin office 12 gives an incomplete picture of the destination of funds and fundraising which has taken place since then.

Under the Foreign Agents Registration Act, Friends of Sinn Féin Inc is required to file financial statements with the Department of Justice at sixmonthly intervals, showing funds raised in the US and how they are disbursed. According to Friends of Sinn Féin's statement for the six months ending October 31 1995, \$1.12m was raised during this period, and according to Schedule E of the ststement, \$528,137 of it was disbursed undar tha heading money to Ireland".

This figure is broken down, with amounts and dates. reflecting payments for the Dublin and Belfast office tele-

equipment hire. However, sevfunds raised by the organisa-tion up to the end of October last year. eral of the largest entries list the recipient simply as "Sinn Féin", including one for months budget". Others include \$87,753.25 for "president's office 12 months budget", and \$32,964 for "Parnell

Square restoration". Mr Lawrence Downes, president of Friends of Sinn Fein. said no transfers had been made since November I last year when \$13,827 was sent to Ireland.

The primary purpose of the financial reports is to enable US officials to check whether Friends of Sinn Fein is using funds raised in the US for illegal activities domestically. Under the agreement to allow Sinn Péin to raise funds in the US, the Federal Bureau of Investigation is able to monitor disbursements from Friends of Sinn Féin's bank accounts in the Republic of Ireland.

Pressure for retaliation mounts

By Jimmy Burns in London and John Murray Brown

Hardline members of pro-British paramilitary groups want to strike against nationalist targets in Northern Ireland and the Republic of Ireland in response to any escalation of the IRA's terrorist campaign, it emerged last night.

The warning followed a meeting in Northern Ireland of the Combined Loyalist Military Command, which co-ordinates policy and strategy for the Ulster Freedom Fighters and the Ulster Volunteer Force. Although the pro-British "loy-alist" paramilitaries do not have the military strength of the IRA, they do retain the capacity to strike against individuals and carry out smallscale bomb attacks.

A majority view within the CLMC is thought to favour bolding to their current ceasefire in the absence of any further IRA attack. The leadership feels that the recent spate of bombings in London has resulted already in a big propaganda setback for the republican cause.

But pressure on the CLMC is now such that the leadership says it may be unable to restrain a resumption of terrorist activity by groups of loyalists if the IRA carries out a further attack either in mainland Britain or in Northern

Ireland. This view was echoed vesterday by the Reverend Roy Magee, a presbyterian minister who has acted as an intermediary for the pro-British paramil-itary groups. "Attacks on the UK mainland are being viewed as an attack on the loyalist ethos and sense of identity just as mncb as any attack in Northern Ireland," be

Cummins Engine to close its plant in Scotland By James Buxton,

Scottish Correspondent

Cummins Engine, the US diesel engine manufacturer, is to close its plant at Shotts near Glasgow by the end of the year with the loss of 700 jobs.

The closure is part of a worldwide rationalisation programme to improve the group's profitability, the company said. Some of the engine production at Shotts will be moved to the company's plant at Darlington in northern England.

The announcement was received with anger in Scotland. Union officials at the plant said they had to calm workers who were said to be devastated. Cummins is the leading US

manufacturer of diesel engines for heavy-duty trucks. Last October it said it planned to make 2,000 workers redundant worldwide, about 8 per cent of its global workforce, and was considering selling or consoli-dating a number of its operations. Some 1,300 jobs have already been shed, mostly

in the US. Mr Ken Sanford Cummins' vice-president for Europe, said the Shotts plant was profitable at its current volume but was being closed to reduce surplus capacity. He added that the UK market, which accounts for most of the output at Shotts, was mature and was expected to fall in the short term. But the closure was not dictated by the state of the current mar-

Although some production will be moved to Darlington other work will be switched to sub-contractors or to other Cummins plants worldwide. The Asia, Pacific rim and Australian markets, which account for a quarter of ontput at

The Cummins fectory in Scotland, producing about 12,000 engines annually in the II-14 litre range, bas been operating et been making use of only around two-thirds of the capacity installed when the facilities had their last big update a decade ago. Cummins firmly believed that the European beavy truck industry would follow North America's industry: that Europe's big truckmakers, faced with the soaring cost of meeting ever more demanding and complex exhaust emissions, would opt for bought-in units from specialist diesel producers such as Commins. But Europe's bigger truck makers have clung stubbornly to vertical integration and the capability and capacity to make their own power

Shotts, will now be supplied from the US.

units.

The closure of the Cummins plant is likely to have a severe effect on Shotts, the Lanarkshire town of 9,000 people where it is by far the biggest industrial employer. Many of the workers at the plant have skilled engineering jobs, and the average length of service of the workforce is 18 to 20 years.

The plant was established in 1956 to help alleviate unemployment caused by the closure of the local coal mines. The town has male unemployment of 10.7 per cent, about the Scottish averag Mr Michael Forsyth, chief

minister for Scotland in the British government, called the news a bitter blow. It was "particularly hard on the workforce, who have done so much to improve productivity." be

UK NEWS DIGEST

Profit for 1993 'to top \$1.5m'

The political temperature at Lloyd's of London rose sharply yesterday as fresh projections of its recent profitability failed to stop a clamour by lossmaking Names for extra funds for the insurance market's ambitious recovery plans. Chatset, the analysis organisation, and a traditional critic of the market, said Lloyd's will this summer declare profits for 1993 – "the year everyone was waiting for", following more than £8bn (\$12.8bn) losses since 1987. Chatset forecast a profit of £1bn in 1993, £1.024bn in 1994 and £888m in 1995. The profits will help fund Lloyd's recovery plan, including a £2.8bn out-of-court settlement offer to lossmaking and litigating Names. But Chatset said an extra £1bn may still be needed.

Ralph Atkins, Insurance Correspondent

Works council at Pearson

Pearson, the media group which owns the Financial Times, is to form a Europe-wide consultative forum for all its 13,000 employees, including those in the UK, to comply with the European Union's controversial law on works councils. "This is an information and consultation body which will enabla staff representatives to discuss Pearson group Europe-wida issues with senior Pearson executives," said Mr David Bell, chief executive of the Financial Times Group, a Pearson unit. in a letter to group employees. "As the UK government has opted out of the social chapter, there is no obligation to include our UK staff - who make up 85 per cent of our employees - in these arrangements," said Mr Bell. "However, Pearson has decided that its UK employees should have the same opportunity as their other European colleagues to partic-

ipate in these discussions."

The group has told the staff that "best management practice dictates UK employees should be included". It adds that "not to do so would be contrary to the objectives of the directive which are to consult and inform all employees; many major UK companies are also taking this view". So far, only an estimated 10 UK-owned companies have created such works councils with a further 16 being negotiated.

Robert Taylor, Employment Editor

Exhibition centre clears hurdle

Work is likely to start this year on a proposed international exhibition centre in London's Docklands following a government decision not to block or dalay the £100m (\$154m) scheme. The London Docklands Development Corporation is expected today to approve plans for a 100,000 sq m exhibition complex, a 3,000-seat conference centre, 1,000 new hotel rooms and parking for 5,000 cars. The proposed development is expected to provide stiff competition for Earls Court and Olympia, Lon-don's established exhibition vennes, and Birmingham's National Exhibition Centre,

P&O, the shipping and property group which owns Earls Court and Olympia, has plans to build a rival scheme to the west of London near Heathrow airport. The consortium developing the docklands scheme includes Sir Robert McAlpine, Trafalgar House Developments and Try Construction and is advised by Bear Stearns, the US investment bank. Simon London, Property Correspondent

Payouts for rail delays

European Passenger Services, the UK operator of the Eurostar trains that run from Paris and Brussels to London, is to compensate many passengers delayed on Tuesday. Some spent up to 18 hours on a train before being returned to their point of departure in London.

Every Eurostar service on Tuesday was delayed with the average hold-up amounting to between three and four hours but some trains were delayed for much longer. EPS said trains eppeared to have problems moving from the freezing conditions outside the tunnel to the relatively warm tem

Charles Batchelor, Transport Correspondent

Banks to advise on sell-off

The government completed the institutional selling syndicate for the £1.5bn (£2.3bn) privatisation of Railtrack, the company which has taken over British Rail's track, signalling and stations, with the selection of six investment banks. Credit Lyonnais, Robert Fleming, James Capel, Nikko, Schroder Wertheim and WestLB have been appointed to the junior role of co-managers which allows them to sell shares worldwide but not in the UK. The senior roles - SBC Warburg as global co-ordinator and Merrill Lynch and UBS as global managers were made some months ago. These three banks have the right to sell the shares worldwide.

Antonia Sharpe, Markets Staff

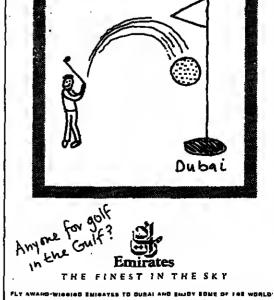
Beef sales begin to recover

Beef sales are still suffering from the fall-out over bovine spongiform encephalopathy (BSE), or "mad cow disease", but there are signs of a anight recovery, said the Meat and Livestock Commission. Retail sales in the four weeks to February II were down 12 per cent on the same period last year. This compares with a 17 per cent drop in the previous four weeks, the worst year-on-year decline since the scare began in Octo-ber. "This is the first sign of recovery," said the commission. "It's taken a little longer than we thought." Alison Maitland, Resources Staff

O'Reilly paper expands The Irish Independent, the biggest selling national newspaper

in Ireland, will start printing in England this weekend. The paper, part of Mr Tony O'Reilly's Independent Newspapers, has a total weekly circulation of 340,000 and already sells 12,500 copies in Britain air-freighted over from the Republic of Ireland. The decision to produce a British edition at a plant owned by a aubsidiary of the Guardian Media group, is intended to increase sales and to cut airfreight costs. Alice Rawsthorn, Consumer Industries Staff

38 International destinations. 84 International awards.



Fund management, 'Quantum leap' was made after rapid series of high-level resignations at Dunedin

Merged Scottish group aims to revive US links Anderson were creating a new

Last week's announcement of the merger of Dunedin Fund Managers with the smaller Edinburgh Fund Managers was the culmination of months of uncertainty for Dunedin beginning with the replacement last July of its investment director.

The £83.3m (\$128m) deal is seen by Edinburgh, as the company likes to be called, as "e once only opportunity in Scotland for a quantum leap", creating a business managing assets of 28.2bn and employing 280 people. The Dunedin saga, the main talk of the Scottish financial community for months, has lessons for other fund

The cause of the trouble at Dundin, says Mr Eric Sanderson, its actin chairman, was a "breakdown in dons between personalities". Mr

Hamish Leslie Melville, previously chairman of Capel Cure Myers Capital Management, was brought in during 1992 by Bank of Scotland which owns 50.5 per cent of Dunedin. He improved Dunedin's investment performance and boosted its profits, but his commanding style grated against some of

his more reflective staff.
Discontent mounted after the departure of Mr Gordon Anderson, the investment director. In October Mr Doug Waggoner, the American who ran tha highly successful Chicago office, resigned, followed swiftly by two senior fund managers in Edin-burgh. Bank of Scotland decided that to stop the rot Mr Leslie Melville and Mr Alan Kemp, his deputy, should go. But their resignations did not per-

suade the fund managers to change

their minds; six more decided to go. It

emerged that the defectors and Mr

Edinburgh-based business, Castlesince changed to Rock. CastleInternational, with the backing of PNC Bank of the US. A spur to their departure was that, unlike at other fund management companies, they could not share fully in Dunedin's success: Bank of Scotland only recently accepted the need for an incentive scheme which would have given executives shares in Dunedin.

Meanwhile, of Dunedin's total funds of nearly £6bn, the £2bn of US-owned pension funds began disappearing as US trustees took fright at manage mant instability. Early this year, Bank of Scotland and the four Dunedin-managed trusts decided to shelve plans to find a new chief executive for Dunedin and put the business up for sale. The sale attracted interest from US-besed organisations each as

United Asset Management (which owns Murray Johnstone in Glasgow), from London and from mainland Europe. But the final bidders were the two quoted Scottish investment managers, Edinburgh and Ivory & Sime. Remarkably, Edinburgh bid about \$20m more than Ivory & Sime. Taking into account Dunedin's £6m cash, the effective cost is £77.3m or 1.73 per cent of Dunedin's £4.8bn assets. Last week Edinburgh raised £75m through e placing and open offer to pay for it. In the Scottish fund management

community where small managers proliferate the merger creates a relatively large company, though its combined £8.2bn is dwarfed by the large fund managers in London. Edinburgh says the merger will be earnings enhancing because of the savings to be achieved by integration.

For Bank of Scotland there will be a

tion that, although there may be soma job losses, the business will stay in The immediate question is whether the combined group can retain any of Dunedin's US oparation. Its North

American pension funds had halved and the management contracts lapse with the change of ownership, meaning that Edinburgh must compete for them, Mr Michael Balfour, Edinburgh's joint managing director, says the company priced its bid for Dunedin on the assumption that the north American funds were all lost. Senior executives from both Dun-

edin and Edinburgh are now in the US to convince US pension fund trustees that the days of instability are over and that the two companies can harmonise their different fund management methods.

claims

TECHNOLOGY

Shorter route to making PVC

dncer, EVC, has discovered a chemical reaction that could transform its industry hy leapfrogging two stages in the production of the chlorine-based plastic.

The chlorine in PVC sets it

The chlorine in PVC sets it apart from other plastics by providing a highly reactive bonding point for other chemicals. With different additives, it can he made strong, flexible, or even flame-resistant.

But getting the chlorine into the plastic in the first place is a complex process, requiring five separate chemical reactions.

Oil or liquid natural gas is broken down into ethylene. This is then combined with chlorine, before being heated to 430°C to throw off excess hydrogen chloride in a reaction with oxygen. The product is vinyl chloride monomer (VCM), which is processed directly into PVC.

Industrial chemists have long been teasing away at the possibility of converting ethane - a component of natural gas - straight into VCM. The obstacle has been the high temperature needed to get ethane to react with other chemicals.

The EVC breakthrough, discovered at a laboratory in Runcorn on Merseyside, is a non-corrosive catalyst that provokes a reaction at lower temperature. This produces VCM at 90 per cent purity.

cent purity.

It works with different forms of chlorine, making it possible to use recycled chlorine left over from earlier runs.

And the cost implications are sweet. There is less processing, minimal waste, and as a raw material ethane costs around £65 for a tonne equivalent, compared with £350 for ethylene. In addition, its supply is plentiful—oil producers currently hurn much of it off as waste,

EVC has run the reaction in a small reactor, and applied for a patent. Its next step will be to set up a pilot plant.

Jenny Luesby

boy guides his electric wheelchair along a pavement. As he approaches a set of traffic lights, he loses control and the wheelchair runs into the road just as a car approaches. But there is no damage and the boy is safe, because this is no ordinary street.

no ordinary street.

The boy is using a technology that could play an important role in the medical world as a tool for training, clinical assessment and stress control: virtual reality, which uses three-dimensional graphics to create worlds which subjects can explore.

Some VR systems involve the user wearing a headset with huilt-in stereo video screens; others use a desktop computer monitor and some form of manual control, such as a mouse, keyboard or joystick.

Virtual reality has created much interest in the games industry, where it could be used to produce a new generation of video games. But medical workers also see potential in the technology.

"VR is a powerful training tool

"VR is a powerful training tool for everyone. The idea that you can simulate a situation and practise it before you experience it, is wonderful," says Harry Murphy, director of the Centre on Disabilities at California State University, Northridge.

The US Department for Education has provided more than \$600,000 (£400,000) of funding to the Oregon Research Institute (ORI) for VR research. One project is designed to help children use a motorised wheelchair. "We see hasically two types of children: those who have a wheelchair and need to develop their skills, and those without a wheelchair," says Dean Inman, a research scientist at ORI.

The latter group, Inman adds, includes children who need to achieve a hasic level of competence before an insurance company will pay for the cost of an electric wheelchair, which is around \$6,000-\$10,000.

The system used at ORI places a wheelchair on a pair of rollers, which allow the back wheels to rotate while holding the wheelchair in place. The child wears a headset, which includes a pair of headphones.

The rollers give the impression of movement and their surface is irregular, so that the chair vibrates as it would on a sidewalk. If the child runs the wheelchair into an obstacle, they feel a hump. The headphones provide the sound of the wheelchair in motion.

The system is controlled by a joystick, and a barcode reader on the rollers provides a computer with data on how the child is performing. The age of the children who have used the wheelchair system ranges from three to 16.

Inman says the system uses offthe-shelf technology and ordinary



virtual reality system allows a child to practise using a wheelchair in sefety

Seeing is relieving

The practical role of virtual reality in medicine has resulted in gain without pain, writes George Cole

computers. "It would have been easy to develop a state-of-the-art system that worked well hut was too expensive for schools or hospitals. Our system costs around \$13,000 and the price is falling. The hardest part was creating the virtual worlds, which took around a

The wheelchair system presents the subject with a series of virtual worlds, ranging from a vast area with no obstacles, to a high street pedestrian crossing. There are plans to develop a system in the future that will allow children to explore a town centre. "VR has given us a

safe environment to work in. It's a highly motivating system and the kids try very hard. We often have to prise them out of the chair." says Inman.

The ORI is also developing a VR

system that will allow children with disabilities to carry out science experiments.

At the psychology department at

the University of Leicester, children with physical disabilities are using a desktop VR system to develop spatial awareness.

The shild is presented with a 3D.

The child is presented with a 3D graphical display of the department's rooms and corridors on a

desktop computer and the exercise

takes the form of the game.

The child wanders around the virtual world looking for fire alarm boxes and fire hoses, which can be activated by pressing a mouse hut-

"When we tested the children, we found that they had learned about the spatial layout of the department. We also plan to use the system inside a school." says Nigel Foreman, a member of the psychology department.

The psychology department of the University of East London is investigating the use of VR for the training and assessment of people who have suffered traumatic brain injury, for example, from a car accident, sports injury or assault.

"A big problem with neuro-psychology assessments is that they tend to be artificial," says David Rose, head of the psychology department.

"You can use a paper and pencil exercise to test someone's memory, but it doesn't tell you how they would cope if you sent them shopping at a supermarket."

Rose adds that when people suffer from severe head injuries there is the risk that they will withdraw from interaction with their environment. Virtual reality could motivate them to respond to their surround-

ings.

VR systems, he says, can he cost-effective when compared with conventional training systems.

"Research suggests that very little time is actually spent on rehabilitation during a training session."

tion during a training session.

East London University has carried out pilot tests using normal subjects on a desistop VR system. The next stage of the project will test brain-damaged patients, and also involves hospitals in Edinhurgh and east London.

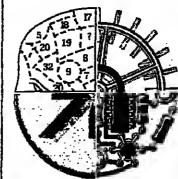
Meanwhile, the Virtual i-O company in Seattle has developed i-glasses, a lightweight beadset costing around 2500, which presents users with 3D images, One application of l-glasses is to reduce the stress levels of dental patients. The patient wears the glasses to watch a film or music video whilst undergoing dental treatment.

Several denial practices in the UK are currently using lighasses, and Virtual i-O expects the number to reach 1.500 within the next 12 months.

Some critics of the virtual reality system wonder whether skills acquired in a virtual world can be transferred to the real world. Others question the safety of VR.

Rose has few such qualms. "The evidence from flight and driving simulators is that skills can be transferred and the risks in using VR are negligible when compared with drug treatment. There is nothing to lose and everything to gain with this technology," he says.

Worth Watching · Vanessa Houlder



Digital watermark protects copyright

Scientists at the NEC Research Institute in Princeton believe they have developed "a fundamental enabling technology" for protecting the copyright of

images and music on the Internet.

They have developed a secure method of producing a digital watermark, an invisible code that identifies the owner, which is permanently embedded in the multimedia data.

Attempts to remove the watermark would be virtually impossible without degrading the image quality. Moreover, counterfeiting would be almost impossible, says NEC, the Japanese electronics company. The digital watermark is

designed to be used in conjunction with cryptography, which limits access to encrypted data to legitimate users.

NEC Research Institute: US, tel 609 5201555; fax 609 9512481.

Autoimmune update

Researchers investigating a mechanism used by the body to turn off inflammation believe it could open up new avenues of research into treatments for autoimmune diseases, such as multiple scierosis.

An international team, including scientists from the Weizmann Institute of Science and Stanford University Medical Centre, has shown that it may be possible to turn off the mechanism that initially triggers the autoimmune response without affecting the entire immune system.

The scientists used a protein fragment called the p87-99 analogue to affect cells that play an important part in the initial stages of autoimmune disease. Using the protein fragment, they were able to reverse the paralysis produced in laboratory mice that

had an autoimmune disease analogous to human multiple sclerosis.

Scierosis. Weizmann Institute: Israel, tel 9728343852: fax 3728344104.

Mighty magnetic microscope

Dutch researchers have designed a magnetic microscope that can reveal the arrangement of spinning atoms, and so give new inslights into the magnetic of majorials.

properties of materials.

The microscope, developed at the University of Nijmegen, uses scanning technique in which a sharp needle moves back and forth across the specimen being studied.

It uses a needle made of light-sensitive material which generates an electric current as it absorbs light. The magnetism of the material can be measured using polarised light, since the polarisation – or direction of rotation of the light – is linked to the direction of rotation of the

The researchers, who were imanced by the NWO Foundation for Fundamental Research on Matter, have resolved magnetic details down to 0.2 microns (thousandths of a millimetre). They expect to achieve magnification up to 10 times greater in the near future.

NWO: The Netherlands, tel 703440713; fax 703850971.

Cooler combustion for fuel savings

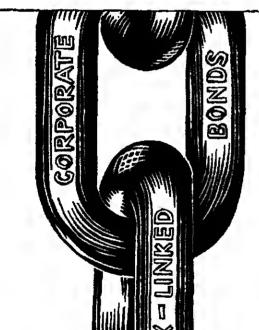
A device that lowers the temperature of combustion can substantially cut vehicle exhaust emissions and improve fuel efficiency by at least 5 per cent, according to Ethan Adams, its Leicestershire-based developer.

The device, which can be fitted on any petrol or diesel engine, uses exhaust heat to produce steam from a water tank. The steam is drawn into the comhustion chamber, where it lowers the temperature and improves the efficiency with which the fuel burns.

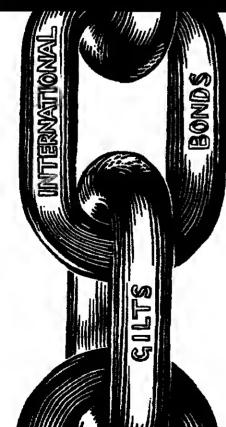
The technology, which is being tested on bus fleets, was developed for six years in conjunction with the department of fuel and energy at Leeds University.

Ethan Adams: UK, tel (0)1530

Ethan Adams: UK, tel (0)1530 830860; fax (0)1530 830868.



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NASD fines US firm record \$10m

The US's Netional Association of Securities Dealers has imposed a \$10m fine, its largest ever, on Hib-bard Brown, and expelled the New York securities firm from the association for "defrauding retail customers". Sanctions have also been taken against Mr Richard Brown, president of the firm, and Mr DeJuan Stroud, the compliance officer.

Nikkel's decline extends to sixth day



Concerns about a possible rise in long-term interest rates and the continuing weakness of the dollar against the yen depressed share prices for the sixth consecutive trading day. The Nikkei average, registering its longest losing streak since the market began to

recover in July 1995, shed 31.29 to 20,340.94. Investors were discouraged by the failure of the dollar to rise significantly against the yen by mid-afternoon, in spite of reports of intervention by the Bank of Japan. Back Page

Bayernwerk lifts Viag result to DM2.1bn Viag, the German energy and industrial group, reported operating profit for 1995 of DM2.1bn, in line with forecasts, and said it would increase its dividend by DM2 to DM12. Two-thirds of the rise from DM850m in 1994, was due to the first-time full consolidation of the Bayernwerk utility.

Statoil shows slight decline from record Statoil reported net profits of NKr5.3bn (\$830m) for 1995, a slight decline from a record NKr5.4bn a year earlier. The result was restrained by lower oil prices, reduced production, and "extremely poor" refining margins, the Norwegian state oil company

Den Danske Bank jumps on securities gain Den Danske Bank, Denmark's largest bank, announced a sharp increase in net profits to DKr3.63bn (\$645.4m) from DKr818m in 1994, largely attributed to gains on its securities portfolio and reduced loss provisions. Page 27

Domestic side drives 15% rise at Qantas Higher earnings from domestic operations and falling interest charges propelled Qantas, the recentlyprivatised Australian airline, to profits after tax of A\$148.3m (US\$112m) - a 15.2 per cent rise - for the half-year to December 31. Page 28

Hanson loses another senior figure Hanson, the UK industrial conglomerate which last month revealed plans to split into four, has suffered. its second high-level departure since the demerger announcement with the decision of Mr David Snowdon, who heads the ARC aggregates subsidiary, to leave. He follows Mr Ron Fulford, who resigned as chairman of the Imperial Tobacco subsidiary.

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Friday February 23 1996 **OTHE FINANCIAL TIMES LIMITED 1996**

Mannesmann at low end of forecasts

Mannesmann, the leading German engineering and telecommunications group, yesterday reported a 50 per cent rise in 1995 operating profits to DM900m (\$604m). But analysts said the improved figures were et the bottom end of expectations and suggested the group would find it more difficult in a slower moving economy this year.

Several analysts said they were surprised that new orders had risen just 4 per cent to DM34.9bn. "Clearly the first nine months of last

year were good for Mannesmann, but things seem to have tailed off considerably in the last quarter and that could make it more difficult for the group this year," an

Operating profits rise 50% to DM900m but analysts see possible difficulties this year

Mannesmann shares fell slightly following the release of preliminary figures, one of only a few shares to slide yesterday in Frankfurt, closing at DM500.50, down DM2.35 on the day. Final figures are expected in April.

The group also said it had taken its loss-making household goods business. which had sales of about DM1.3bn last year, cut of the trading division and put it under the control of the holding company. This was a first step towards e possible disposal, analysts said. However, the company said it was too early to suggest that the unit would be sold.

All of the group's four operating divi-sions reported profits but the bulk of the improved results came from the telecoms division - which doubled its unspecified profits - and the plant and engineering

The Düsseldorf-based group restructured last year, and sold its Hartmann & Braun electronics division.

division, Mannesmann's largest unit with turnover of DM14bn. The management board said it would raise the dividend by

The group said that new orders had risen 5 per cent. adjusted for disposals and

Sales last year rose 6 per cent to DM32.2bn, buoyed by increases at the telecoms, plant and engineering and automotive components divisions.

The improved profits in the engineering

and plant division were helped mainly by Recroth, the hydraulics group, which saw sales rise 15 per cent to DM3.8bn. Profits at the automotive components

division, which is made up of VDO and Fichtel & Sachs, were roughly as high as they had been in 1994 despite "continuing pressure on prices", the company said. The group said it had plans for satellite guidance systems for cars, which it was

developing. In the spring it would begin a one-year pilot project in the Rhine/Ruhr region involving about 1,000 cars, the group said. Lex. Page 22

David Buchan on the French government's decision to sell Thomson as a single unit

A sale of two halves in one

French government has so far attached to the privatisation of the Thomson group by the end of this year is that it wants to sell it off as one unit.

So the two halves of the group - Thomson-CSF, the professional and defence electronics company in which the state-owned Thomson SA holding company has a 58 per cent stake, and Thomson Multimedia, the consumer electronics company which Thomson SA owns 100 per cent - will go to auction as e job lot. The govern-ment has not yet decided between a public flotation and e straight sale to another company.

The government's motive is obvious. It wants to use Thomson-CSF's basic profitability to carry the sale of Thomson Multimedia which, struggling under heavy debts is finding it impossible to turn an operating profit into an overall financial one. The two haives of the group are therefore locked together, at least for the duration of the privatisation.

Much of Thomson's recent his-tory is the accordion-like rela-tionship between its two parts moving apart and then back together. Inevitably, much of this has to do with the dominant fig-ure of Mr Alain Gomez, who until his resignation was announced by the government on Wednesday was the longest serving head of a French state company. Mr Gomez was brought in by the Socialists to supervise Thomson's nationalisation in 1982. Far from falling at the first change of government, he survived seven governments and had his term renewed a record four times...

A former army parachutist, Mr Gomez always seemed to favour the military wing of his empire. He was the president of Thomson-CSF as well as of the Thomson SA holding company. Thomson Multimedia, despite its state

he only condition that the ownership tie, remained under a separate presidency.
Gradually despairing of the heavy losses chalked up by Mulri-

media, Mr Gomez acquiesced in then Prime Minister Edith Cresson's scheme in 1992 to slice off Thomson's consumer electronics and pair it with the French atomic energy commission's industrial division, CEA industries. That never got off the drawing board, though it did indirectly lead the French government to use CEA Industries to recapitalise SGS-Thomson, the Franco-Italian chip-making company, which now turns a profit and in which Thomson-CSF holds 20 per cent.

However, since then, as Multimedia has clawed its way beck into operating profit, Mr Gomez has seemed more favourable to keeping Multimedia within the Mr Marcel Roulet, the new

Thomson president charged with privatising the group, comes from the neutral background of France Télécom, which ha headed until last year. He may be more open to the argument that synergy exists hetween tha group's constituent parts. But in truth, these remain limited to, for example, civil uses of plasma screen displays used in military aircraft, digital TV technology and a common laboratory in Rennes, which exploits Thom-son-CSF military advances mainly to serve Multimedia's research needs. Apart from this. Mr Alain Prestat who took over Thomson Multimedia in 1992 and who is expected to stay on, has operated more or less on his own while benefiting from group help

The purchase in 1988 of RCA and General Electric's television operations has helped make Thomson Multimedia the market leader in the US, putting the

on substantial acquisitions.



DM2 to DM8.

FFr m	CROUP	THOMSON	THOMSON MULTIMEDIA
Tumover	74,421	. 38,388	38,146
Operating profit	2,635	2,173	604
Net profit	-2,163	*-962	-596
Capital .	520	13,256	1,143
Net debt	20,276	124	12,113

odd position of being America's biggest TV maker. Privatising it therefore has political logic. The sale of Thomson-CSF has

more financial logic to it. In his determined way, Mr Gomez has bucked the trend of declining defence orders by "boying turnover" worth FFr15bn a year over the past five years, picking pieces of Philips and Ferranti and diversifying more in civil business (now one-third of turnover) like air traffic control and simulators. Mr Gomez's penchant for buying defence companies in an era of declining military orders led one analyst to liken him memora bly to "a penguin on an iceberg floating towards the equator who keeps adding ice cubes to stay afloat". But Thomson-CSF, which

made a lot of money on Saudi Arabian defence contracts in the 1990s, has done all this without piling up debts. The fact that it plunged into the red in 1993-94 was due to its ill-advised decision in 1989 to take 18.9 per cent in Credit Lyonnais. But thanks to the government rescue of that bank, it and Crédit Lyonnais are

back in the black. Expansionist to the end, Mr Gomez was plotting a hig tie-up with GEC of the UK, but the government effectively dismissed him for cutting across its goal of encouraging French defence companies to regroup among themselves before forging new Euro-Among the French groups likely to be interested in Thomson's privatisation, Alcatel may

be too preoccupied by its own problems to play much of a part. while Dassault Electronique could be destined to join Dassault Aviation in marriage to Aériospatiale. But Mr Gomez's departure will only whet the appetite of Mr Jean-Luc Lagardère to get at least a piece of Thomson for his Matra Defence division. Thomson-CSF'e 60 per cent share of the French defence electronics market is tempting bait.

British Gas may face three MMC referrals

British Gas could be involved in as many as three Monopolies and Mergers Commission inquiries in the run-up to its proposed demerger next year.

The company said yesterday it might turn to the MMC, an antitrust investigative body, to settle its dispute with North Sea gas producers over £40bn of take-orpay gas contracts.

Mr Richard Giordano, British Gas' chairman, said the take-orpay issue is a continuing drag on the performance of the company, which yesterday reported a "dis-appointing" fall in historical cost profits for 1995 to £903m, against £927m in 1994.

Two other MMC references could be made in connection with price reviews being undertaken by Ofgas, the industry regulator, on the company's remaining monopolies in gas transportation and supply to households.

The company wants producers to renegotiate the take-or-pay contracts, which commit it to buying gas it no longer needs at prices that are more than twice as high as those quoted on the informal spot market for gas.

Mr Giordano said the company is prepared to seek solutions further afield, Some British Gas executives yesterday speculated that the issue might eventually be heard by the European Court.

The company said the take-orpay contracts are a big factor behind yesterday's warning that it stands to lose £400m this year in the industrial and commercial gas markets open to competition as a result of the current gas surplus depressing prices. It made a £150m profit in the mar-

ket as late as 1994. Mr Giordano said a possible referral to the MMC or to the Office of Fair Trading would be based on competitive issues. He claimed that the producers had formed "an accidental contract cartel" that was restricting com-

Two weeks ago British Gas announced a demerger motivated by its desire to protect TransCo. its profitable pipeline operation, from the liabilities associated with the contracts. Mr Giordano said the demerger, planned for spring 1997, may be brought forward to the end of this year. He said recent visits to big institutional investors confirmed

shareholder snpport for the scheme. "The fundamental bene-fits of the demerger are under-stood," he said. Lex, Page 22

Cost of restructuring holds back Pharmacia & Upjohn

By Hugh Carnegy in Stockholm

Pharmacia & Upjohn, the newly-merged Swedish-American drugs group, said yesterday merger and restructuring costs had pushed down net profits from \$833m in 1994 to \$739m last year. However, underlying earnings per share were ahead 8 per

Reporting combined figures for the two companies, which joined in November, Pharmacia & Upjohn said net profits before restructuring and merger costs rose from \$847m last time to \$924m. Earnings per share rose to \$1.50 from \$1.56. After restructuring and merger costs, earnings per share dipped from \$1.63 to \$1.43.

In Stockholm, shares in Pharm-

SKr5.00 to close at SKr287.50.

The new group, one of the wurld's top 10 pharmaceutical companies by sales, said the cost of joining the two units was likely to exceed predictions at the time of the merger by 10-20 per cent. Costs of reducing the combined workforce from \$4,000 to 30,000 were higher than expected. Mr Bob Salisbury, chief finan-cial officer, insisted that overall the merger was proceeding as planned. "It is right on track," he said. "Everything we have seen to date shows we are going to

acia & Upjohn, which had risen a year by the end of 1998, 85 per sharply since the merger, fell a year by the end of 1998, 85 per cent of which are expected to have a full-year effect in 1997." The group has established its world headquarters in Windsor, west of London.

Meanwhile, group sales for the company's diverse range of prod-ucts, which include infectious disease, metabolic disease, oncology and ophthalmology treatments, rose 3.6 per cent, from \$6.7bn to \$6.9bn.

Growth was below industry average levels and Mr Salisbury acknowledged that, for now, performance enhancement would come from increased efficiencies. He said in 1996 sales would still be affected by patent expiries on some of the group's drugs. But after 1996 it would start seeing accelerated sales growth.

ICI considers share buy-back

cost savings of more than \$500m

achieve exactly what we said we

Mr John Zabriskie, chief executive, added: "We expect to realise

would at the time of the merger."

By Jenny Luesby in London

Imperial Chemical Industries yesterday said it was considering buying back some of its shares, as it unveiled an 85 per cent increase in pre-tax profits last

year, to £951m (\$1.4bn). The group's gearing had fallen to 22 per cent at year-end, leaving it with an under-utilised balance sheet, said Mr Alan Spall,

"This is not in line with good management policy and you can expect this to change," he said. The prospect of a buy-beck, and the group's resilience during a difficult fourth quarter for the chemicals industry lifted the shares by 25p, to close at 857p. Prices and demand had fallen off, the group said, but margins had not, and while fourth-quarter profits of £198m were below third-quarter levels, they were up 30 per cent on a year

in the face of the adverse impact of the cycle, said Mr Charles Miller Smith, chief executive. This had been helped by the group's "value gap" programme. This was on target to bring gains of £400m a year by 1997, through a halving of fixed costs, and a 40

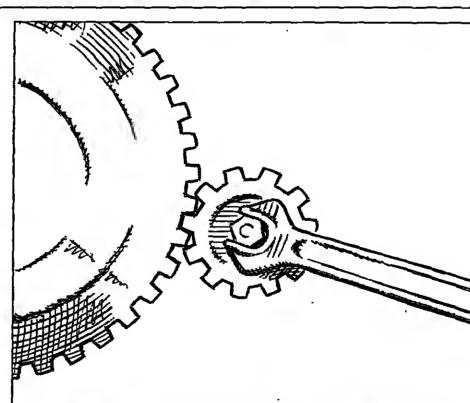
earlier. This demonstrated ICI was "more robust than historically"

per cent increase in gross mar-gins, he said. The group's shift away from

Europe had also made it more resilient, with its Asian business proving increasingly profitable. "By 2005, Asia and America will account for 60 per cent of group sales, from 40 per cent today; and most of that growth will be in Asia," said Sir Ronald Hampel chairman

The group was considering a share buy back, it said, even though, with its financial base in the UK, there were tax disincentives. Another alternative would be acquisitions. The company would be happy

to lift gearing to around 25 per cent, which would give it £2bn to 23bn of fire-power, said Mr Spall. Each 10 per cent of gearing is equivalent to about \$500m.



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KPING means business

Nasdaq body fines Hibbard Brown \$10m

The National Association of shares to investors at more Securities Dealers has imposed a \$10m line, its largest ever, on Hibbard Brown, and expelled the New York securities firm from the association for "defrauding retail customers". Sanctions have also been taken against Mr Richard Brown, president of the firm, and Mr DeJuan Stroud, the compliance

The case related to dealings in shares of two companies First National Realty Associ-

in 1990. Hibbard Brown sold than double the prevailing market price, in almost 10,000 transactions.

The crack-down comes at a sensitive time for the NASD and its Nasdaq stock market, amid allegations that its market makers have colluded to: worsen prices made to investors. 'The Justice Departmentand the Securities and Exchange Commission have been investigating the allegations since autumn 1994.

A lawyer for the NASD said the size of the fine was unrelated to the authorities investigations, and that Hihbard Brown was not being made a

Investors will only benefit indirectly from the fine, since a petition to put Hibbard Brown into Chapter 11 bankruptcy associating with any NASD was served in October 1994.

Mr John Pinto, executive vice president in charge of reg-ulation at the NASD, said: "This enforcement action by the NASD is a victory for every investor who was defrauded by

Hihhard Brown. Although the firm is now under the protectioo of the bankruptcy court. this fine increases the portion of the banksuptcy proceeds that will be used to pay investors.

Mr Brown has been fined \$300,000, censured, barred from _ memher or from owning a more than 5 per cent interest in any Nasdaq company, or serving as an officer or director of a Nasdaq company. Mr Stroud has been fined \$25,000, censured and barred from asso-

principal capacity for a year. The firm and Mr Brown.

admitted selling shares in FNRA to customers at prices hetween donble and 145 per cent higher than the market price, and of shares in Linkon at 140 per cent above the market price. Customers were told that the prices were "at the market" even though the firm controlled the market for both stocks. The firm also failed to tell the SEC that it owned more than 10 per cent of FNRA's equity.

Price rises behind surge at Brazilian pulp maker

By Angus Foster in São Paulo

Aracruz Celulose. Brazilian encalyptus pulp maker, has announced an almost five-fold increase in profits for last year, helped by a jump in international pulp prices and a sharp improve-

ment in financial income. Net income at the company, one of Brazil's higgest exporters, increased to US\$386.1m m the year to December 31, compared with \$67.2m in 1994. The performance marked a cyclical turnround since 1993, when Aracruz announced a net loss. However, last year's figures were below some analysts' expectations.

Mr Luiz Kaufmann, chief executive, said last year was the "best single year performance" in the company's history. He added that while pulp sales volumes and prices weakened at the year-end due to destocking, the ontlook remained favourable: "We helieve a balanced supply and demand position can be achieved later in 1996 once the current destocking phase draws to a close."

Average price increases of 63 per cent helped operating revenues increase 52 per cent to \$767.3m, despite a small fall in sales volume. Aracruz produced just over 1m tons of bleached eucalyptus pulp and sales totalled 983,000 tons, a drop of 8 per cent.

Operating income more than doubled to \$348.9m after operating costs increased 6 per cent, partly due to wage pressure in Brazil.

The group enjoyed a big turnround in financial income. which produced gains of \$68.1m. mainly from arbitraging hetween Brazilian and international interest rates, compared with a loss in 1994 of \$92.8m. Earnings per share were

Aracruz, which is listed on the New York Stock Exchange and releases results under US GAAP, also announced that under Brazilian accounting rules its net income reached R\$326.4m (US\$332m), compared with RS304m in 1994.

0.3584 cents.

AMERICAS NEWS DIGEST

Hewlett-Packard buys SecureWare

Hewlett-Packard has acquired SecureWare, a leading developer of software which enables secure banking on the Internet. The move follows technical alliances between Oracle and Verifone, and Netscape and Verifone, also aimed at creating secure transaction systems for the global public. network. To date, security concerns have limited the use of the Internet for commercial transactions and leading software and computer companies are racing to create security

SecureWare, a small Atlanta-based company, has developed some of the world's most secure computer systems, including those used in the Global Decision Support System for the US Air Force Mobility Command. Last year the group developed software for the first bank to conduct transactions on the Internet. The standard methods of protecting corporate networks and databases from computer hackers are not sufficient to ensure the security of banking and transaction records, Hewlett-Packard said. Firewalls - software barriers designed to prevent unauthorised entry into a computer

system – have been breached on several occasions. The Hewlett-Packard approach involves elaborate defences built into the core of the computer's operating system. These "trusted operating systems" are used in military computers and eliminate the possibility of any single computer user taking control of the computer in the guise of an

Louise Kehoe, San Francisco

Flat sales keep Vitro in red

Stagnant sales and a foreign exchange loss of 660m pesos (\$87.6m) kept Vitro, Mexico's dominant glass manufacturer, in the red, with a fourth-quarter loss of 474.5m pesos, compared with a 2.1bn peso loss a year earlier. Sales for the quarter fell 2 per cent to 5.3bn pesos, although operating income of 475m pesos compared well with the 18m pesos for the fourth quarter of 1994. For 1995, sales were 21.9bn pesos, down 1.2 per cent. while operating income rose 56 per cent to 2.7bn pesos. Net profit for 1995 was 835.6m pesos, after a 1994 loss of 1.67bn pesos. Exports increased 17.5 per cent to \$524m, and 66 per cent of total sales came from outside Mexico. Vitro has operations in six countries, but its biggest foreign subsidiary, Anchor Glass Container, which announced a net loss of \$66m for 1995 on sales of \$956,639, has been a drain on resources. Daniel Dombey, Mexico City

Crown Cork Seal unit declines

CarnandMetalbox, the French-based packaging group acquired at the end of last year by Crown Cork Seal of the US, yesterday reported net income down 15 per cent to FFr805m (S160.9m) for 1995. Mr Tommy Karlsson, chairman, said the lower profits reflected an inability to pass on raw material costs in its prices; start-up costs in Asia; and adverse currency movements. Turnover dropped 1 per cent to FFr24.6bn, and operating profit fell 20 per cent to FFrl.8bn. Net financial charges rose from FFr508m to FFr558m, and there were reorganisation costs of FFr250m, after FFr288m a year earlier.

Chile investment for Nova Corp

Nova Corp of Canada, the mining group, is looking at a further US75m investment in its methanol plant on the Magellan Straits, near Punta Arenas, It is currently carrying out works to double the existing capacity of 800,000 tons, to reach 1,725,000 tons by tha end of this year. The further expansion would make the Chilean plant the higgest in the world, at 2,700,000 tons. Imogen Mark, Santiago

Shake-up for Sprint's cable TV joint venture

By Tony Jackson in New York

The \$4.2bn joint venture hetween Sprint, the US long-distance phone company. and three US cable TV companies is to be restructured as part of a change of strategy. The venture, to be named Sprint Spectrum, will be run

hy a four person partnership committee, and five regional headquarters will be set up across the US.

The changes reflect an apparent scaling down of the venture. The original plan was for the cahle partners - Tele-Communications Inc. Cox and Comcast - to upgrade their cable links into 10m homes to accommodate wired telephony, which would then be offered to customers in bundled form along with wireless and long-distance services.

Instead, the cahla partners have now opted to strike deals directly with Sprint in selected local markets. Though Spectrum will have the option to offer local telephony as part of

directly involved in the negoti-As part of the changes, Mr

Ronald LeMay, head of the venture, will return to Sprint as president and chief operat-ing officer. An outside candidate is being sought to replace him. Mr LeMay, formerly head of Sprint's long-distance

a hundled service, it will not be operations, was appointed to run the venture last March. Sprint said yesterday that plans for Spectrum to offer wireless telephony were unchanged. The venture has already spent \$2.1bn for PCS wireless licences, and plans to spend another \$2.1hn on installing the network by the

Owens-Corning arm reveals takeover recipe

Pilkington purchase has taught unit some important lessons, writes Clare Gascoigne

he Pink Panther is the one of the first sights to greet a visitor to Owens-Corning's insulation factory near Mancbester in the UK. The character - used extensively in Owens Corning's US marketing to promote its pinkcoloured building products. and in the UK its Supawrap loft insulation - stands guard over e notice giving the number of days since the last accideot caused machine down-

Mr Warreo Knowlton, president of the European building products operations, helieves such direct, high-profile communication is ao important element in the UK operation's 20 per ceot sales growth since Owens-Corning spent £73m (\$113m) buying Pilkington's insulatioo business in June

The lessoos learned were such that Mr Knowlton now gives talks to senior Owens-Coroing management on the experience of an acquisition. A takeover, be says, is more

about the aftermath than the deal itself. "You have to think about integratioo before closing the deal," he says, quoting research that found that between 80 per cent and 90 per cent of acquisitions by US com-

panies outside the US fail. The deal, he stresses, is only the tip of an iceberg - making it work is the important bit. And of all the elements of making it work, communicating core messages and strategies to the workforce was perhaps the most crucial.

indeed, one of the goals Mr Knowlton set for the acquisition was that employees should know both what was going on and what was in it for them. He faced very worried employees in 1994; worried about an invasion of Americans, worried about the security of their jobs, and wor-

ried about their future. "People had an emotional reaction and there was a tendency to deny the evil day. Productivity drains away in this situation and people lose

Principal results for the year

Current net income

unds generated

Operating income

special items

onsolidated net income

from operations

sight of the customer. You have to get people refocused on the customer.

He also faced a workforce used to being a non-core division, with a consequent lack of interest. Investment of about \$15m in the UK helped persuade people that Owens-Corning was serious, followed up with constant repetition of the message of individual responsihility. "I had to say: I cannot guarantee your jobs. Only you can do that." he says.

The introduction of gain-sharing and pay for performance hammered home the same message. "People have to understand the drivers of the business and we learnt pretty quickly that if it affects their pay, people understand it." he

Making clear the link between factory line down-time and profitability brought the customer closer to the shop floor. "Customer satisfaction is measured by market share. You have to focus on repeat husiness," he says.

1995: ELF is on good course

Results by sector

The other problem Mr Knowlton had to tackle was integrating the European division. Having lived in Belgium for some time he was not surprised by the lack of common European perspective, but he wanted to create a common set of values.

"There has to be a common set of expectations about how to behave so that, for example. everyone is trying to reduce cycle times," he says. "You have to speak a common

One of the lessons of the acquisition that he feels companies ignore at their peril is that of "soft" due diligence relating to employees' needs and expectations, and their emotional response to the

It is important, he believes for senior managers to be accessible - but not only during official office hours. Being seen in the social club, going to sporting events or dances are just as important; being around when people are at

5.0

2.5

15.5 11.1

1.8

2.0



Pink Panther; used extensively in the group's US marketing

their most relaxed can make a significant difference to the feel-good factor.

This announcement appears as a matter of record only.



PT THE UNIVENUS COMPANY

(A Subsidiary of Asia Pulp & Paper Co. Ltd., Singapore) Incorporated in the Republic of Indonesia

> US\$ 50,000,000 MULTI-TRANCHE FACILITY

> > Arranger ING BANK JAKARTA

Co-Arrangers **BANK BIRA** BANK BNP LIPPO INDONESIA PAN INDONESIA BANK

Lead Managers BANK PDFCI ING BANK JAKARTA BANK BIRA BNP LIPPO INDONESIA PAN INDONESIA BANK

Senior Managers BANK FINCONESIA BANK NUSA INTERNASIONAL

> Managers INTER-PACIFIC BANK MULTICOR BANK

Agent. ING BANK JAKARTA

ING BANK

December 1995

Current. net income per share increases by 57% (FF 20 per share)



New goals for the Group

For additional information.

Tel.: 33 (1) 47 44 24 63

please contact 🔆 Jean-François Carminati

(including Exploration) 26.0 28.0 Principal acquisitions 6,5 Debt ratio 38% 46%

commented on these results: "The second half of this year has been

We will maintain our policy of rigorous asset management and cost cutting. Thanks to the efforts of our personnel, these policies have largely contributed to the improvement of our results, which I consider encouraging but still insufficient.

Elf Aquitaine has the capacity and the will to increase its profitability by combining rigorous management and ambition in developing. The Group is on

Elf Aquitaine has found sound growth again around its four core activities. The work accomplished during the past two years has allowed us to set new goals for the Group by 1998: to find again, then maintain a return on equity of at least 10% and to increase the share of the consolidated net income (including minority interests) in funds generated from operations".

aded December 31,1995 · (in billions of french francs). 1995 1994 20.0 12.7 (In french francs per share) 107.5 93.9 (In french francs per share) 208.3 207.7 15.5 1.1 Operating income excluding 15.5 11.1 5.0 (5.4)Net income excluding special items 5.3 3.3 runds generated from operations 28.6 24.4

Philippe Jaffré, Chairman and Chief Executive Officer of Elf Aquitaine

characterized by the flagging of favorable trends for chemicals recorded at the beginning of the year. Crude oil prices have remained strongly volatile. Refining margins continued to deteriorate. These developments are not surprising to us.

Operating income encluding pecial items by sector (In billions of french francs) Exploration and Production Refining Marketing and Trading Health TOTAL Exploration and Production: the 8%

increase in the average Brent oil price was more than counterbalanced by a 10% decrease in the average parity between the franc and the dollar. The improvement in the current operating income, therefore, results from the productivity efforts.
The production of hydrocarbons increased by 8%. Hydrocarbon reserves were maintained in 1995. Refining and marketing, international

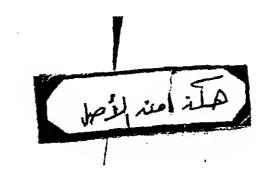
supply and trading: in spite of a 20% drop in the average margin in francs per ton, compared with 1994, the refining and marketing, international supply and trading sector was able to maintain its current operating income at equilibrium thanks to an energetic and continual policy to reduce its break-even point. The pressure of supermarket competition has remained strong in France and has significantly increased

Chemicals: the year 1995 proved to be favorable for the chemicals sector. Sales increased by 10% to french francs 55.6 billion on a comparable basis. A falling-off of sales was observed at the end of the year due mainly to the severe drop in plastics prices. The notable improvement in operating income is a result of the restructuring efforts which will have a recurring effect. It is equally due to the increase in the specialty acrivities and the very good upturn in the plastics markets at the beginning of the year.

■ Health: sales for the period increased by 1% on a comparable basis. The pharmaceuticals activines benefited from the strong increase in the major international products. The contribution of the Health Division to the Group's operating income results from the better average return on assets linked to restructuring and acquisitions made essentially in 1994.

Financing of operations: funds generated from operations progressed by 17% to french francs 28.6 billion. The debt ratio continoes to decrease: from 46% at the end of 1994 to 38%

Dividend: The board of directors will propose a net dividend of french francs 13 per share at the Annual General Shareholders' Meeting to be held on June 5, 1996. The dividend will be paid in cash.



In the fight against disease, this could be the most powerful weapon yet.



It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight

against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.



INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Impregilo cuts loss to L15bn for year

Impregilo, the largest Italian construction company, returned to net profit in the second half of 1995 and expects a small surplus this year, despite poor prospects in the sector within Italy. The company, which relies on non-European countries for more than half its contracts, ended 1995 with a net loss of L15bn (\$953,000), against a L47bn deficit the previous year,

after making net profits of L17bn in the second half. Mr Franco Carraro, chairman, said Impregilo was selling its IPI real estate interests to concentrate on core activities. thereby reducing net debts from L910bn to L680bn. Impregilo forecasts turnover of L2,800bn in 1996, against L2,400 this year. John Simkins, Milan

Pliva plans global offering

Pliva, a Croatian pharmaceutical manufacturer, confirmed plans to sell about 30 per cent of its share capital in the first global equity offering by a Croatian company. Pliva hopes to raise about \$100m from the sale of shares held by its majority sharebolder, the Croatian Privatisation Fund. The offering. which should come to market by the end of June, will be divided equally between international and domestic investors

After the sale, more than 50 per cent of Pliva's share capital will be held by private investors. The European Bank for Reconstruction and Development is converting credits into a 11 per cent stake in Pliva and its employees will own a stake of about 10 per cent. Applications will be made to list Pliva's shares and Global Depositary Receipts in London and for a share listing in Zagreb. Antonia Sharpe, London

Fiat silent on Garuzzo rumour

Fiat yesterday would neither confirm nor deny Mr Giorgio Garuzzo, the group's chief operating officer, would depart at the end of this month – a few days before Mr Gianni Agnelli is due to hand over Fiat's chairmanship to Mr Cesare Romiti.

Mr Garuzzo made clear to friends a month ago, as reported in the Financial Times, that he did not expect to survive as the group's chief operating officer after the assumption of the chairmanship by Mr Romiti, with whom Mr Garuzzo's working relationship has deteriorated sharply over the past two years. The COO's post will in any case disappear under a management restructuring which will effectively see Mr Paolo Canatarella, bead of the cars division, become Mr Romiti's John Griffiths, London

Hungary to privatise hotel

Hungary is to sell a 95 per cent stake in the Forum, one of the last top class state-owned hotels to come up for privatisation. APV, the state privatisation agency, said it would invite 15 potential investors to participate in a closed tender to be published on February 29, with the bid deadline in April. The Forum, managed by Intercontinental, the Japanese hotel group, was formerly the flagship hotel in the HungarHotel chain which came close to privatisation last

year. The sale of a 51 per cent stake in the chain to American General Hospitality for \$57.5m was called off after the Socialist-led cabinet and industry lobbles claimed the price was too low. APV hived off the Forum from HungarHotels last December, it intends to sell the chain which owns 14 other botels later this year. Virginia Morsh, Budapest

 Banque Indosuez, the banking arm of the Suez, the French financial and industrial holding company, is closing its market operations in Frankfurt as part of its strategy of refocusing its activities. The areas affected will largely be in the bond market and the money market. The bank stressed it would continue to serve its German customers and trade in D-Mark products, largely through its operations based in Paris. Andrew Jack, Paris

Enlarged Viag meets forecasts

Viag. the German energy and industrial group, yesterday reported operating profit for 1995 of DM2.1bn (\$1.45bn), in line with forecasts, and said it would increase its dividend by DM2 to DM12.

Despite the half-hearted forecast for German economic growth this year - and the fact that most of Viag's industrial activities are dependent on business cycles - the Munich-based group said it remained "confident" about prospects for the rest of 1996.

Two thirds of the rise in operating profits, which jumped from DM850m in 1994, were due to the first-time full consolidation of the Bayern-werk utility, the mainstay of Viag's business. However, the group said it had also improved earnings at part of

By Christopher Brown-Humes

Statoil, the Norwegian state oil

company, yesterday reported

net profits of NKr5.3bn (\$833.4m) for 1995, a slight

decline from a record NKr5.4bn

a year earlier. The result was

hit by lower oil prices, reduced

production, and "extremely

cant cost-savings in its Norwe-

Statoil, which last year

poor" refining margins.

By Michael Lindemann in Bonn its packaging division and at its Kühne & Nagel transport

According to preliminary figures for 1995, group turnover rose 46 per cent to DM42.2bn, again driven mainly by the Bayernwerk acquisition. Final results are expected in May.

However, the company said business had also been good at a number of its industrial activities, including chemicals, aluminium, steel trading and at parts of the Schmalbach-Lubeca packaging business. Adjusted for disposals and acquisitions last year, group sales rose 8 per cent.

Schmalbach Lubeca overall was the only unit not to meet the earnings and turnover targets, Viag said.

Demand for tinned food in

Germany has fallen considerably as consumers prefer deepfrozen products in cardboard

Ireland for £200m (\$308.8m),

said its pre-tax result fell from

NKr16.9bn to NKr14.7bn. The

after-tax impact was cushioned because the group's land-based

activities, including Borealis,

are less heavily taxed than its

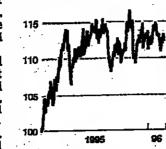
Operating profits dropped from NKr14.7bn to NKr18.6bn,

duction from the mature Stat-

Although dollar-based oil

oil production.

Share price relative to the DAX index



packaging, a development which has hit Schmalbach-Lubeca's metal packaging business, the company said. VAW, the aluminium pro-

ducer, benefited from relatively high aluminium prices and the better business climate

prices were slightly higher, krone prices fell from NKr111

to NKr108 a barrel because of

the stronger Norwegian cur-

The group's purchase of

Aran continues a drive to

expand international activities

which began in 1990. However,

it does not expect its non-Nor-

wegian exploration and pro-

dnction businesses to make

site trends from 1994. Refining and marketing profits plunged

last year, Viag said. Gerresheimer Glas, the glass business, was able to increase its unspecified profits through productivity gains and said it would make an "appropriate" dividend payment, its first in three

Viag said it had invested DM2.3hn last year, mainly at Bayernwerk which is expanding its activities in former eastern Germany, and has recently bought majority stakes in the DEDASZ electricity utility and the KOGAZ gas distribution

network in Hungary.
The group, which recently announced a telecoms alliance with RWE of Germany and British Telecommunications, the UK-based operator, said it would apply for a licence to operate Germany's fourth mobile phone network and expected a decision later this

to NKrlbn from NKr245m.

reflecting the severe overcapa-

city in the European sector

that has wrecked margins; pet-

rochemicals profits, however,

surged from NKr204m to

NKrl.1bn dne to a strong

upturn for this highly cyclical

The company believes its

1996 results could be slightly

down on last year's levels

because petrochemicals prices

have been falling since the

business.

fourth quarter.

Mr Bo Lerenius, chief execu-Statoil slips as prices and output fall

tunnel had gained slightly

tunnel had abandoned an initial strategy of seeking premium prices to try to build up volumes. "They ended up behaving just like a ferry oper-

The group is paying a NKr1.85bn dividend to the Norwegian state, up NKr236m

Stena blames **Eurotunnel for** profits downturn

By Christopher Brown-Humes in Stockholm

Stena Line of Sweden, the world's biggest ferry operator, said yesterday that intense competition from Eurotunnel, the Anglo-French operator of the Channel Tunnel, was partly to blame for a sharp drop in its 1995 profits.

Stena, one of the two big ferry rivals to the tunnel, said profits were SKr201m (\$29.7m), less than half the SKr502m achieved a year earlier. It cut its dividend to SKr0.75 per share from SKrl.L.

tive, said Stena had seen its passenger and freight volumes between Dover and Calais fall by 6 per cent in 1995, even though the market grew by up to 20 per cent. He estimated that Euro-

more than 30 per cent of the market for passengers and freight. He put Stena's share slightly below this level, and ferry rival P&O slightly above. Price competition had been fierce, he said, because Euro-

ator," he said.

"Eurotunnel is going to be the biggest player, but there will still be enough space for two ferry operators long-term,"



Bo Lerenius: sees Eurotume becoming the biggest player

Mr Lerenius said. At present four ferry groups compete against the tunnel. Stena said it had also been hit by the aftermath of the

sinking of the Baltic ferry Estonia in 1994 because this had deterred overnight travel on some of its Scandingvien ferry routes. Group turnover rose slightly from SKr9.41bn to SKr9.43bn

The number of passengers car-ried rose 1 per cent to 145m and freight volumes incre

3 per cent. Stena is expecting better fig-ures in 1996, helped by reduced cross-channel price competition and the introduction of:a revolutionary series of fast farries on two of its hish routes.

Howaver, Borealis, the group's petrochemicals joint partly because of lower exploration and production profits. profits before the end of the Average oil production was venture with Neste of Finland, The group's other main divi-sions - refining marketing and 25,000 barrels a day lower at 424,000, due to declining proproduced very strong earnings and the group achieved signifipetrochemicals - showed oppo-

Steady year at Henkel

By Wolfgang Münchau in Frankfurt

gian fields.

Henkel, the German consumer goods and chemicals company, yesterday reported another steady year, with 1995 turnover up 1 per cent to DM14.2bn (\$9.7bn), and net profits ahead 5 per cent to DM488m.

The results, which did not include Schwarzkopf, the haircare group in which Henkel took a 77 per cent stake last November, were in line with analysts' forecasts. The company, best known in Ger-

many for Persil washing powder, said its results were affected by the strength of the D-Mark last year and its effect on exports.

Henkel's chemical products divi-

sion, which takes in lipids, glycerin, vitamin E and various raw materials for use in the cosmetics industry, had a marginally lower turnover than in the previous year. However, on the basis of local currencies, turnover here went up by 7 per cent.

The group said two of its businesses had a difficult year. The cosmetics and hygiene division suffered a 2 per cent drop in turnover, while the washing powder and cleaning solutions business was flat, with turnover at DM4.1bn. Adhesives and chemo-technical managed a 9 per cent increase in turnover to DM2.17bn.

Henkel expects "moderate" growth in Europe and North America and continued strong growth in south-east

Cost savings help put Verbund ahead

By Eric Frey in Vienna

Verbund, Austria's largest utility group, lifted its operating profit 12 per cent from Schl.25bn in 1994 to Sch1.4bn (\$137m) last year, defying analysts' predictions of flat to lower

arnings. Mr Michael Pistaner, finance chief, attributed the gains to rigorous cuts in costs and higher electricity exports. Net income slipped from Schl.28bn to Schl.27on last year because of a higher tax bill, he added. Group revenue advanced 1.2 per cent from Sch19.3bn to Sch19.5bn. Verbund shares climbed 1.2 per cent.

in active trading on the Vienna stock exchange. Before the announcement, analysts had predicted 1995 operating

Schl.3bn. The 1995 results were hurt by Verbund's strong exposure to the Swiss franc bond market, where the company has about Schlöbn in outstanding debt. The rise of the Swiss currency forced Verbund to make a provision of more than Sch570m last year, but lower interest rates in Switzerland added Sch170m to the finan-

cial result last year, Mr Pistauer said. Verbund cut its staff from 5,200 to 4,700 last year and reduced personnel costs by 9 per cent. It is about to streamline its corporate structure and make further modest staff cuts, Mr Hans Haider, chairman, said. The new structure, which should come into effect by 1998, will split the company into four divisions: production, mar-

income of between Schl.1bn and keting and distribution outside boldings and new areas of activity... However, some analysts say this is

not enough to make the company lit for the expected liberalisation of the European utility industry. Verburn will have to shed up to 2,000 employees by 1999 to bring its costs in lin with foreign competitors, said Mr Gathard Fleischer, chief equity analyst of Creditanstalt Investment Bank.

Verbund has a near-monopoly in power production and transmission. but most of the Austrian retail market is controlled by regional utilities: The group is 51 per cent owned by the federal government, but its free float of 49 per cent constitutes the highest capitalisation on the Vienna stock.



INFORMATION

1995 RESULTS

aleo's Board of Directors, at a meeting held on February 20, 1996, approved the Company'a consolidated financial statements for 1995.

S Consolidated sales are confirmed at FF 25.2 billion in 1995, up 9.5% over 1994. On a constant currency basis, sales increased by 12.8%. 63% of sales were generated outside of France, against 61% in 1994.

In a worldwide automotive market which grew by less than 1% last year, the Group's Original Equipment market sales in local currencies rose by 15%.

in FF millions

Gross margin

Net income

% Sales

Cash flow

Consolidated aales

Operating income

less financial charges

after minority interests

Capital expenditures

Stockholders' equity

Net borrowing

Aftermarket sales increased by 5%, accounting for 29% of consolidated sales.

. Gross margin and operating income less financial charges were affected by the sharp increase in raw material prices and negative currency fluctuations against the French franc. In addition, exceptional charges relating to numerous

product launches, reflecting Valeo's increased penetration on new models, had an impact on the year's performance.

** Net income, after minority interests, exceeded FF 1 billion, 4% of consolidated sales. This figure



25,230

4,955

1,285

1,010

4.0%

2,550

2,118

10,000

ANVESTORIGENATIONS DÉPARTMENT ÉVALEO : 43 RUE BAYEN : 750 7 PARIS : FRANCE

171

takes into account FF 359 million in exceptional rationalization costs and FF 154 million in capital gains on the disposal of assets.

* Cash flow increased by 6% to FF 2.8 billion, 10.1% of sales. It covered investments for the year, which rose by 12% to FF 2.1 billion, enabling the Group to pursue its innovation and international development strategy.

EValeo further reinforced its balance sheet structure, with stockholders' equity amounting to FF 10 billion. The ratio of net income to equity stands at 10%, while caah flow to equity

% change

+ 9.5%

- 3.2%

- 20.8%

+ 2.0%

+ 5.9%

+11.8%

+ 7.4%

1994

23,050

5,119

1,622

990

4.3%

2,407

1.895

9,308

124

exceeds 25%. Net borrowing remained low at FF 171 million.

The General Meeting of Shareholders will be asked to approve a dividend per share of FF 2.70, or FF 4.05 including tax credit. This representa an increaae of 23% over the

₩ Valeo has set the improvement of its

previous year.

margins as its priority objective for 1996. The Group will also continue to offer increasingly innovative products and strengthen its international presence to take full advantage of opportunities arising in a rapidly changing automotive market.

This announcement appears as a matter of record only.



S.A. Indústria e Comércio Chapecó & Chapecó Companhia Industrial de Alimentos

U.S.\$72,500,000

Financing of Capital Investment Program

U.S.\$20,000,000

Senior Term Loan to Chapecó Companhia Industrial de Alimentos Provided by

International Finance Corporation

and through participation in the IFC Loan by Rabobank Curação n.v.

> U.S.\$37,000,000 Convertible Debentures

U.S.\$15,500,000 Common and Preferred Equity

Issued by Chapecó

U.S.\$7,000,000 Convertible Debentures

U.S.\$3,000,000 Preferred and Common Equity

Subscribed by International Finance Corporation

U.S.\$30,000,000 Convertible Debenture Issue

U.S.\$12,500,000

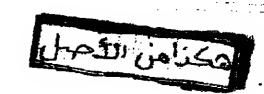
Share Issue Underwritten by

Banco Fator S.A. Banco Nacional de Desenvolvimento Econômico e Social Atlântica Corretora de Titulos e Valores Mobiliários Ltda. Banco do Estado de Santa Catarina S.A. Banco Bandeirantes de Investimentos S.A.





February 1996





فليريهن لوف وأالا

INTERNATIONAL COMPANIES AND FINANCE

Volvo's growth strategy enters a tight chicane

But it knows it cannot reach its target production level

based on its present range of the luxury 900 series, flagship

850, and smaller 400 series

The 850, introduced in 1992,

has been a success. But the

400, produced in the Nether-

lands, has been a flop, costing

up to SKribn a year in losses. Volvo is now aiming to

launch a new model every

year, working to sharpen its image in the meantime to

attract a broader customer

The first step is under way with the recent launch of the

new \$40 and V40 medium-sized

saloon and estate-car, built in a

ioint venture in the Nether

lands with Japan's Mitsubishi

on a production line that can

produce the Volvo and Mitsubi-

shi models simultaneously.

which will soon be taken out of

Next will come further spin-

offs from the 850, notably a

coupe and convertible being

built in Sweden in a joint ven-

ture with TWR, the British spe-

cialist racing and sports car

Further down the line will be

The S40/V40 replaces the 400.

production.

Its fall into losses raises doubts about whether the car maker can continue to go it alone, says Hugh Carnegy

wo years after Voivo spurned a merger with France's Renault, the Swedish vehicle manufacturer still has a long road to travel to prove it can survive as an independent car maker.

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The news this week that Yolvo'a car operations shumped to a SKr841m (\$124m) loss in the fourth quarter of last year has brutally dispelled any illusion created by a surge of profits in 1994 and early 1995 that the company was well on the way to the secure future as a stand-alone, quality car producer that so many Swedes crava for the country's biggest manufactur-

ing group. Volvo's car division — the biggest part of the Volvo group and its heart - has entered a !tight chicane. Just as it is running up huge development costs to build up its narrow model range, it has been saught by slackening demand in many of its biggest mar-ets and hit by the negative reflects on a Swedish exporter of a much stronger Swedisb

Is The result in 1995 was that the operating profit margin for the car division tumbled to 1.3 per cent, compared with the target level Volvo has set for -itself of 7 per cent over a cycle. coThe painful truth is that let in at the peak of the cycle in the first quarter of last year, when the Swedish krona lwas weak, Volvo cars still -baly managed an operating margin of just over 4 per

These figures raise the question whether, after all, the strategy pursuad in the early 1990s to merge with a volume car maker was not

The fundamental thinking then was that a medium-size

Rewe, Germany's biggest food

which recently bought a stake

in the Pro-7 private television

station, claims it is continuing

to perform better than the rest

The privately-owned group said sales rose 5.3 per cent to DM48.4bn last year, but had

remained stagnant when based

on the same retail space used

in 1994. Rewe's share of the German food retailing market

rose last year to 16.3 per cent

from 15.9 per cent a year ear-

However, Mr Hans Reischl.

the beleaguered German

in Cologne

retail sector.

producer like Volvo could not achieve the economies of scale in such a capital intensive and cyclical industry to survive on its own.

But Mr Sören Gyll, Volvo chief executive, and Mr Tuve Johannesson, head of the car division, are adamant that they remain on the right road. "The fourth quarter was bad," Mr Johannesson said on Wednesday. "But the measures we are taking now will lead us on to much better profitability."

One immediate measure is an urgent programme to cut costs by reducing the near 30,000-strong car division workforce by more than 2,250, the majority through slimming the production process, but also through efficiency drives in administration, marketing, distribution and purchasing.

However, these reductions are essentially only a minor adjustment in a wider strategy to expand Volvo's car making base to a point where the company believes it will at last achieve critical mass.

The key to this is a surge in investment by the Volvo group over the next several years to levels of about SKr8bn a year, compared with less than

Volvo Car

Rewe confident of beating

chief erecutive, said the stag-nant sales were still signifi-

canfly better than the rest of

the German retail sector,

The federal statistics office

said this week that retail sales

last year had fallen 2 per cent

in real terms compared with

cent stake in Pro-7 would pro-

vide the group with new oppor-tunities to sell its products. He

said the stake was particularly

attractive because it offered a

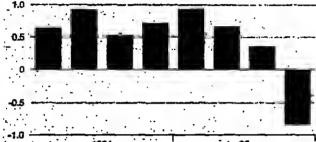
return on sales of about 13 per cent, against about 1.5 per cent

The group, which began as a

it would increase its invest-

Mr Reischl said the 40 per

downturn in retail sector



SKr5bn in 1995. Total capital outlays are set to range up to SKr12bn a year. Tha big major-ity of this is to be spent within the car division.

Volvo can afford these outlays because of its extensive divestments of non-core assets worth in total some SKr50bn - and because group profitabil-ity has been held up by a strong performance from the truck division. The truck operations returned a record operating profit in 1995 of SKr5bn, compared with the full-year car division surplus of

ssentially, what Volvo is attempting is a crash development programme to build out its modal range and increase volumes from about 350,000 cars a year to 500,000 to underpin its independent ambitions. It has established – and will

continue to seek - partnerships with other manufacturers for specific projects, but it is still determined not to be subsumed in a big merger like the marriage with Renault it broke off in Decem-

Last year, Volvo aold 374,600

a new "platform" upon which the replacement for both the 900 series and the 850 will be based. The intention is to maximise returns by building as many high-value cars off the same basic platform as r Gyll will oot say

how long Volvo needs to fulfil its strategy. "We will certainly not see it in 1996," says Mr Jan Dworsky, analyst at Fiba Nordic Securities in London. "It will take a few years until we

The S40 model: appealing to a broader customer base

ambition to be a new BMW really works." He points out that in the

meantime, Volvo has little room for manoeuvre. "They are much more vulnerable than other, bigger companies. They cannot afford to fail with any new model."

The pressure is especially intense because, unlike many

Swedish companies, Volvo has no built-in "poison pill" in its ownership structure to protect it against a takeover bid.

Any suitor - and none has emerged to date - might well be put off by what happened with Renault. But the longer Volvo's car division splutters, the more vulnerable the com-

Den Danske Bank surges on turnround in securities

Rewe, Germany's biggest food the German retail sector.

The description of the German retail sector.

Mr Reischl said the group statutover to more than DM50hn wive year of falling sales in would also step up its investments in Europe to keep ahead (\$645.4m) from DKr818m in of its main German competi-1994, largely attributed to gains on its securities portfolio and reduced loss provisions.

Rewe would spend DM170m on European investments this year, including DM60m Profits on ordinary operations, before extraordion two distribution centres, in the Czech Republic and nary items and tax, increased from DKr1.70bn to DKr6.03bn. Although an earlier attempt Mr Knud Sorensen, chief executive, described the result

to break into the UK market in 1993 with the retailer Budgens was unsuccessful, Rewe said it was still looking at the market because the return on sales in UK retailing were significantly higher than in Ger-

ments this year by DM440m to

DM1.2bn, and would open 460

new stores, including 220 dis-

DKr847m. The bank's advance reflected

as being "as good as any we have ever had". The board pro-

posed increasing the dividend

from DKr12 to DKr16 a share.

taking the total payont to

a turnround on the valuation of its securities portfolio, from a loss of DKr224m in 1994 to gains of DKr2.29bn. It also took announced a sharp increase in DKr1.25bit from DKr1.87bn; net profits to DKr3.68bn there was also a small distribution of the profits to DKr3.68bn there was also a small distribution of the profits to DKr3.68bn there was also a small distribution of the profits to DKr3.68bn there was also a small distribution of the profits of the prof in operating expenses from

DKr5.84bn to DKr5.81bn. Net earnings from interest and fee income slipped from DKr10.42bn to DKr9.59bn. Mr Scrensen said the bank would pursue an offensive strategy in the face of competition. shall not hold back", when it comes to competition on price in the domestic market, he

The bank would also continue to expand overseas. It is opening branches in Oslo and Helsinki this year, in addition to its existing branches in

subsidiary in Luxembourg. And the bank would also seek to exploit its investments in the insurance industry, which contributed DKr267m to group Deposits increased 12 per

Stockholm and London and a

cent to DKr172bn, and advances 14 per cent to DKr194hn. This took the market share of deposits from 27.9 per cent to 29.8 per cent and advances from 30.4 per cent to

The balance sheet total rose 15 per cent to DKr390bn. Insurance operations are not consolidated, but would take assets to almost DKr500bn, the bank

The capital adequacy ratio at the end of the year was 10.4 per

1996 – Time to Connect

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to be held in London on Tuesday March 5, 1996

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6:00 p.m. to 7:00 p.m.

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U.S. \$250,000,000 Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Subordinated Capital Debentures due 2065

Notice is hereby given that for the six months interest period from February 23, 1996 to August 23, 1996 the Debentures will carry an interest rate of 5.375% per annum. The interest payable on the relevant interest payment date, August 23, 1996 against Coupon No. 20 will be U.S. \$271.74 and U.S. \$2,717.40 respectively for Debentures in denominations of U.S. \$10,000 and U.S. \$100,000. By: The Chase Manhattan Bank, N.A.

London, Agent Bank February 23, 1996



U.S.\$400,000,000

Notice is hereby given that the Raie of Interest has been fixed at 5.5625% and that the interest payable on the relevant Interest Payment Date August 23, 1986, against Coupon No. 22 in respect of US\$5,000 nominal of the Notes will be US\$138.06 and in respect of US\$100,000 nominal of the Notes will be US\$2,7*a*n.25.

February 23, 1995, London By: Ckibank, N.A., (lesuer Services), Agent Bank

CITIBANCE

If something suddenly goes wrong, rolling bearings can come to the rescue - or even give a warning.

in the retail sector.

NOW, YOU CAN HAVE BEARINGS WITH BUILT-IN FEELERS. These feelers, known as sensors, measure speed of rotation, acceleration, temperature or load. They can give a warning when something becomes too hot, runs too fast or becomes overloaded. For a number of years they have been in series production by SKF for the automobile industry and have achieved widespread acceptance.

Sensors can readily be applied in practically all branches of mechanical engineering. The largest order we have so far received in this field bas been from Jungheinrich of Hamburg. The sensorised bearings are being used in a new generation of fork lift trucks. This has eoabled the bearings and sensorisation of an electrically controlled unit to be brought together for the first time. An important prerequisito is that the sensorised bearings must be unaffected by external magnetic fields. This has been proven through a series of tests which have led to ce-approval.

Other applications include lifts, escalators, bus and train doors, as well

GROUP CARNINGS

Consolidated income after financial income and expense 1995; SEK 3 334 M, compared with SEK I Sto M in 1994. Group sales rose to SEK 36 700 m (33 273). Other operating income amounted to SEK 106 M (151).

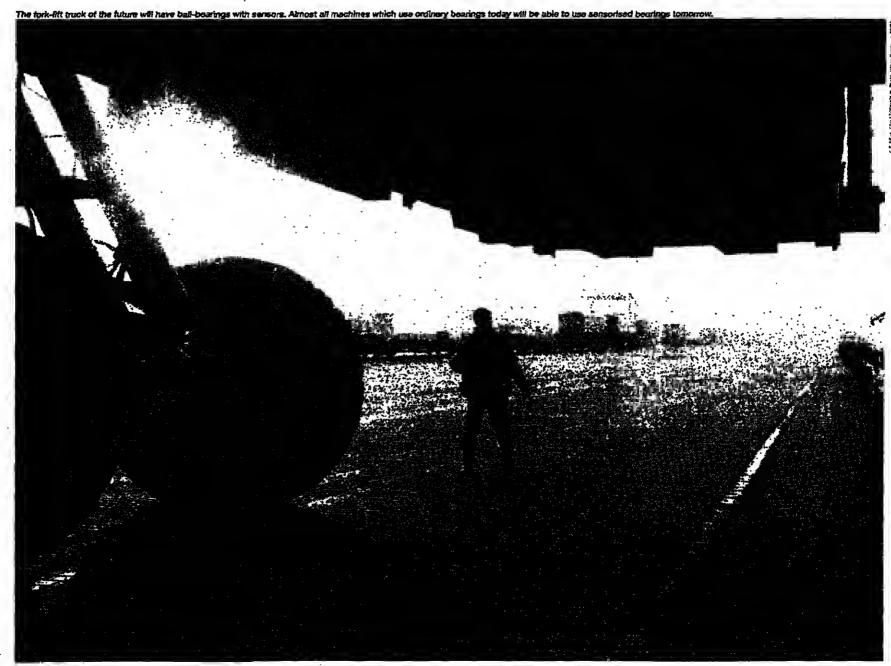
After depreciation totaling SEK I 360 M (1 416), operating income amounted to SEK 3 945 M (2 533). Net financial expense was SEK -611M (-714). Earnings per share amounted to SEK 17.95 (11.05). The return on capital employed was 19.0 percent (13.1) and on shareholders' equity 19.4 percent (13.3). Group solvency improved during 1995 from 29.1 percent to 31.6

percent at year-end. INCREASED INVESTMENT

Capital expenditures in property, plant and equipment increased to SEK 2 296 M (1 350). This sharp increase is the result of a decision to accelerate the technological upgrading of the Group's plaots to achieve greater flexibility, improve productivity and reduce costs.

The Group's investments in research and development increased to SEK 598 M (542), representating nearly two percent of annual sales.

The Annual Report 1995 can be ordered from skr Group Public Affairs, S-415 50 Göteborg, Sweden. Tel: +46 3t 37 10 00, Fax +46 31 37 17 22. AVERAGE RATE OF EXCHANGE:1995:1 GBP = 11,27 SEK.1994:1 GBP = 11,80 SEK.



nentos



ed in the Republic of South Africa - Reg. No. 65/08088/06)

ABRIDGED INTERIM RESULTS

for the six months ended 31 December 1995

Equity accounted earnings up by 75% to R179 million (120 cents per share) Capitalisation award with dividend alternative

Cash generated from investments: R159 million

Cash spent on new investments and business development: R111 million Cash spent on expansion by Group operations: R218 million

Net asset value up 7.5% to R5,683 million (R38.06 per ahare)

Consolidated Income Statement

(R million)	Six months ended 31.12.95 Reviewed	Six months ended 31.12.94 Unaudited	Year ended 30.6.95 Audited
Profit before taxation	179	106	276
Taxation	52	12	50
Attributable earnings	1 27	94	226
Retained earnings of associated companies	52	8	60
Equity accounted earnings	179	102	286
Earnings per share (cents) — attributable earnings	85	63	152
 equity accounted earnings 	120	69	192
Capitalisation award and dividend (Rm)	36	_	60
Dividend per share (cents)	24	-	40

Capitalisation Share Award - Right of Election to Receive an Interim Dividend (No 2) and to Subscribe for New Shares

ation shares have been awarded to shareholders registered at the close of business on Friday, 8 March 1996. Shareholders may elect instead to receive an interim dividend of 24 cents per share payable on 17 April 1996. Shareholders making this election will then be given the opportunity to apply the dividend in subscribing for new ordinary shares in the Company. Full details are set out in the Interim Report to be sent to shareholders.

The full interim report will be posted to shareholders and copies can be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SWIA INP.

SPARBANKEN SVEKICE ISWELBANK) EXTRACT FROM THE 1996 RESULTS

Improved Operating Results · Operating result after loan losses: SEK 4,306 M

• Earnings per share: SEK 11.15 · Return on equity: 16.4 per cent · Proposed cash dividend: SEK 3.50 per share · Proposal for distribution of the shares in Tornet in May, 1996 Proposal for profit sharing system for employees starting 1996

Result (The Growt)			
SEK M	1995	1994	
Net interest income	11 155	10 377	+7%
Commission and foreign			
exchange income	2 099	2 336	- 10 %
Other revenue	1 533	1 431	+7%
Non-recurring			
capital gains		1 898	
Total revenue	14 787	16 042	-8%
Personnel expenses	4 401	4 121	+7%
Other expenses	3 864	4 067	-5%
Total expenses	8 365	8 188	+1%
Result before loan			
losses	6 522	7854	- 17%
Loan losses	2 216	3 790	- 42 %
Operating result	4 306	4 064	+6%

Key Figures rue Group

1994 10.4¹ 5.60⁴ 62.30 2.50 394⁸ 0.9 Return on equity, % Earning per strare, SEK Adjusted equity per share, SEK Cash dividend per share, SEK 3.50 385 0.6 467 13.9 Lending SEK ba Total Assets, SEK hn 9 901

SPARBANKEN SVERIGE

ken Sverige's Amsual Report is expected to be distributed around March 25. The AGM will be held at Globen, Stockholm, on April 24 at 13.00.

NOTICE TO THE HOLDERS NGK SPARK PLUG CO., LTD. (the "Company") Issued in conjunction with U.S.\$250,000,000 1½ per cent. Notes 1998

Parsuant to Resolutions of the Board of Directors of the Company dated 6th and 13th February, 1996, the Company issued U.S.\$200,000,000 214 per cent. issand U.S.\$200,000,000 21/a per cent. Notes 2000 with Warrants and U.S.\$200,000,000 3 per cent. Notes 2001 with Warrants on 22nd February, 1996. The initial Subscription Price of 90th of such Warrants is ¥1,271 per share, which is less than the current starket price per share of ¥1,281.3.

As a Result of such issues, the Subscription Price of the captioned Warrants is adjusted from VI, 138 to VI, 136.8 effective as from Zlad February, 1996 (Japan time). NGK SPARK PLUG CO., LTD. By: The Tokai Bank, Limited as Principal Paying Agent



23rd February, 1996

£250,000,000 Subordinated Floating Rate Notes 2001
For the three months from February 22, 1996 to May 22, 1996 the Notes will carry en interest rate of 6.35% p.a. On May 22, 1996 interest of £78.07 will be due per £5.000 Note and £780.74 In respect of £50,000 Nate for Coupon No. 40.

Cicibank, N.A. (Issuer Services). Agent Bank

Notice of Reduced Interest Republic of Ecuador PDI Bonds due 2015

Pursuant to the terms of the POI Sonds, the Republic of Ecuador has elected to capitalize a portion of the microsi payable for the Interest Period from February 28, 1996 to August 28 1996. Therefore, August 28, 1996 will be a Reduced Interest Payment Date. By: The Chase Machellan Bunk, N.A.

INTERNATIONAL COMPANIES AND FINANCE

Domestic side drives 15% rise at Qantas

By Nikki Tait in Sydney

Qantas, the recently-privatised Australian airline, yesterday unveiled a 15.2 per cent increase in profits after tax, at A\$148.3m (US\$112m), for the half-year to end-December. The advance came on the back of higher earnings from domestic operations and falling interest

Mr Gary Pemberton, chairman, said the figure was in line with forecasts made in the Qantas share prospectus. He also indicated that the company - in which British Air-ways owns a 25 per cent stake - was comfortable about meeting its full-year targets. In the prospectus, Qantas said it expected an operating profit of A\$400m in the year to end-June, and an after-tax profit of

Total revenues during the first half rose 7 per cent to A\$3.88bn, while earnings before interest and tax were 8.6 per cent higher at A\$309.7m. Interest costs fell from from A\$82.4m to A\$63.2m, as deht came down by almost A\$250m. The tax charge, bowever.



In buoyant mood: Gary Pemberton (left) and chief executive James Strong present Qantas results

climbed to A\$98.2m from A\$74.2m. Earnings per share were 14.2 per cent higher at

Mr Pemberton said the domestic operations had seen a 30.4 per cent increase in preinterest profits to AS93m, with the latest figures showing Qantas's share of the domestic

market standing at about 53

per cent in the first half, with revenue passenger kilometres increasing by almost 12.5 per cent. Yield and revenue seat factor, however, were virtually unchanged - the latter figure

per cent.
The company said domestic returns from routes servicing the US and parts of Asia. It attributed this to "aggressive

slipped just slightly, from 80.4 per cent to 79.8 per cent. On the international front, by contrast, pre-interest profits were barely changed at A\$163.3m - and Qantas reported "significantly lower"

NEWS DIGEST

competition", notably from Air New Zealand over the Pacific and on routes to Hone

Qantas added that it was on target to meet cost-savings of A\$300m during the full year,

with around A\$150m delivered in the current half-year. Looking longer term. Mr Pemberton stressed that the strline's first objectives were to get maximum efficient use of existing assets, continued improvements in the balance sheet, and an operational cost structure which matched regional competitors. He suggested that these objectives would occupy the company for the next 12 to 18 mouths. Only then, would the idea of "significant further expansion be

mertameo. He also played down recent speculation that Quntas was planning a bid for Hazelton Airlines, the regional carries." "It we set out to make a takeover bid, yon wouldn't read about it in the newspener first," he said. But he added: "It would be fatuous for us to say that at some stage we had not looked at that possibil-

Moody's sees bleak outlook for Japanese life assurers

By Gerard Baker in Tokyo

The outlook for Japan's life assurance companies, among the world's largest financial institutions, remains bleak, according to a report published yesterday by Moody's Investors Service, the US credit rating agency. The insurers continue to struggle in the harsber eco-nomic climate in the wake of the "bubble" era, the report said, afflicted by weak assetliability rate spreads, poor asset quality, thin capital and intensifying competition.

The life companies invested heavily in equities and property during the bubble, the period of rapidly-increasing asset prices in the late 1980s.

By Ted Bardacke in Bangkok

Bangkok Bank, Thailand's

largest commercial bank, yes-

terday reported a surprisingly

large 13 per cent advance in

net profit for 1995, to Bt19.8bn

better than analysts had expec-

ted, and compare favourably

with the 11 per cent earnings

growth in 1995 at competitor

Thai Farmers Bank, the bank's

share prices closed down Bt2 at

Bt240 yesterday. The fall, of

less than 1 per cent, compares

with a 1.3 per cent overall

index decline on the Stock

The bank did not release a

full financial statement, but

did say that its outstanding

loans rose 15.1 per cent to

Bt858.6bn at the end of 1995. It

said that "under unfavourable

economic conditions caused by

widespread flooding, govern-

ment restrictions on bank lend-

ing and local and foreign mon-

etary crises, the bank's

performance last year was

Analysts had been worried

that Bangkok Bank, with its

high loan-to-deposit ratio,

would be burt by the Thai gov-

viewed as satisfactory".

Exchange of Thailand.

Although the results

and have suffered severely dur-ing the collapse of prices in the last five years.

As a result, Moody's said. they now suffered from "spread deficiency", where the aggregate credit rate on their liabilities exceeds the yield on assets. Mr Shunsaku Sato, a Moody's analyst, said the yield on the industry's total assets had dropped by almost 4 per cent in five years. Although companies had managed to reduce the minimum return guaranteed on their policies. they would continue to suffer from spread deficiency for some time.

The falling property market had undermined companies fundamental strength, since

Bangkok Bank surprises with

13% growth in profit for year

Share price relative to the SET Index

ernment's clampdown on

excessive lending during the

second half of 1995. The fear

was that the bank would have

to raise its deposit rates to

reduce the ratio, thus cutting

However, analysts believe

the bank was able to rely on

the fact that it is the best-pro-

visioned in the country: it was

able to reduce its normal rate

of provisioning in the fourth

quarter to lower the loan-to-de-

posit ratio rather than having

How long this can be sus-

tained remains a question for

to increase the deposit base.

into interest margins.

many insurers had significant exposure to real estate. Land prices in the big Japanese cities have fallen by at least 50 per cent in the last five years. Capital was also a problem.

Moody's noted that since the insurers are required to distribute all their surpluses at year-end, they had minimum scope for capital retention. "Book capital as a percentage of assets is negligible," said Mr

Deregulation was putting further pressure on life insurers, Moody's said. Competition was likely to grow in the next few years, both in the insurers' core business of life assurance. and in their management of the country's pension funds.

Bangkok Bank, Although the

bank's traditional domination

of trade financing in Thailand

remains intact, in 1996 it may

have to compete heavily to

increase its retail base. This

will be made difficult by the

fact that it has not engaged in

any systematic re-engineering

programme at the branch

level, as Thai Farmers and

In addition, the potential

costs of such a programme

have not yet been fully

accounted for in the bank's

balance sheet, as has already been done by several of its

Still, analyst consensus is

that profits at Bangkok Bank

should grow in the range of 15

Tbai Farmers Bank

announced yesterday that it

would raise Bt2.2bn in new

capital through an issue of

shares and warrants. The bank

will offer up to 20m new shares

to the public at a price close to

The bank said another 100m

new shares would be reserved

for warrants that will be

offered to existing sharehold.

ers at a ratio of one warrant to

eight existing shares.

their current market price.

main competitors.

to 20 per cent in 1996.

Krung Thai Bank have done.

sales target of 3,000. Picking up on the Odyssey's popularity, the CR-V, a sports utility vehicle launched last October, has . Michiyo Nakamoto, Tokyo also seen strong demand.

Success of leisure

vehicles lifts Honda

Strong sales of recreational vehicles lifted financial results at

Honda, the Japanese carmaker, in the third quarter. Riding on

a wave of demand for its popular minivan and sports utility

vehicle, Honda increased sales by 13 per cent from Y904bn to

Y1,019bn (\$9.6bn). Pre-tax profits were up 6 per cent from

Japanese demand for recreational vehicles began with the

success of the Odyssey, a minivan which Honda launched in the autumn of 1994 and which has contributed throughout the

averaged more than 10,000 a month last year against an initial

Y24.5bn to Y25.9bn, reflecting the benefits of cost-cutting as

well as Honda's strong gains in the domestic market.

last year to the company's performance. Odyssey sales

Saniam enjoys buoyant business Sanlam, the life assurance-based South African conglomerate, reported a 17 per cent increase in both total premium income and total asset value, which rose to R16.7bn (\$4.3bn) and R125bn, respectively, for the year ended December 31.

Mr Desmond Smith, managing director, said the group, which controls about 12.5 per cent of the total market capitalisation of the Johannesburg Stock Exchange, had doubled in asset value since September 30 1992. He was confident of sustained returns in the second half, but warned that proposals by the government-appointed Katz Commission to tax pension fund earnings at 30 per cent would lead to insolvencies among group pension funds forced to restructure their assets.

Net investment income jumped 27 per cent to R6.9in, although a falling inflation rate would dampen this in the medium term. Policy benefits rose 5 per cent from R12.8bn to R13.5bn for the period, while medical fund claims climbed 34. per cent from R582m to R792m.

Sanlam's portfolio was made up of 58 per cent equities, 20 per cent public sector loans and interest-bearing investments, and 9 per cent fixed property. The group gained ground outside its traditional markets, and issued a record 663, 000 new individual policies over the period. This boosted income from the sector by 25 per cent to Mark Ashurst, Johannesburg

Leighton to raise A\$90m

Leighton Holdings, the Australian construction group, said yesterday it was raising A\$90.35m (US\$68.2m) through a placement of 10 per cent of its ordinary shares at A\$3.85 each. The shares will be placed with a mixture of domestic and institutional shareholders.

The new money will be used for general corporate purposes but particularly to fund business generated by a fairly substantial forward workload in the contract mining sector. This includes work on the Lihir gold mine in Papua New Guinea, and on a number of coal mines. Nikki Tait, Sydney

Bankers Trust Australia slips

Bankers Trust Australia, part of the US-based investment banking group, saw net profit for the year to end-December fall to A\$241.7m from A\$259.8m last time. It blamed the reduction on "very tough" industry conditions, with the maturity of the Australian financial markets leading to fee and margin pressures in investment banking

STORA 1995

SUMMARY OF YEAR-END REPORT ON OPERATIONS

SALES AND EARNINGS

The Group's invoiced sales amounted in SEK 57,106 million (SEK 48,894 million in 1994). After adjustment for divested units, invoicing uncreased by SEK 9,078 million, corresponding to a 19 per cent rise. The increase was due to proved prices for pulp and paper products. Income after net financial items amounted to SEK 8,020

million (3,217). Adjusted for capital gains, income amounted to SEK 7,719 million (2,719). The increase in acome derives from improved sales prices and the effects of the rationalization measures implemented in recent years. The return no capital employed, after deduction for tax

liabilities, was 22 per cent (10). The return on shareholders' equity was 20 per cent (8).

*Capital gaves in connection with the divestment of forest land have been reclassified as a re

Net income, after tax and mimority shares, was SER 5.367 milion (2,038). MARKET SITUATION

Demand for most forest industry products weakened during the fourth quarter, due m inventory reductions and declining business conditions. This situation continued in January. However, the pattern

is not uniform. Inventory build-ups of paper pulp are timing. The orders situation continues to be weak for fine papers and coated magazine paper (LWC). Within the board and packaging paper product area, demand has increased at the beginning of 1996. However, it is still too early to draw any firm conclusions. For the newsprint and uncoated magazine paper (SC) product areas, which account

CONSOLIDATED INCOME STATEMENT (SEK IN) 1995 57.106 invoiced sales 48.894 Operating expenses 44,785 -41490 Restructuring costs and capital gains⁽¹⁾ **301** Share in income of associated companies 31 Planned depreciation -3,648 -3,566 8,974 4367 Net financial items _954 -1,150 3,207 Income after not financial items 8,020 -2,605 -1,120 Minority share -48 -535,367 Income per share, SEK 16,70

for approximately one third of STORA's production capacity, demand remains good.

For sawn timber products, the situation has stabilized somewhat following the weaker trend since spring 1995. The market for building products remains weak. CAPITAL EXPENDITURES

Capital expenditures on fixed assets during the year amounted to SEK 5,455 million (3,249). Of this amount, SEK 3,852 million (2,046) was invested in Sweden. SEK 1,053 million of this latter sum relates in the investment in the new KM8 board machine in Skoghall, Sweden. Depreciation according to plan totalled SEK 3,648 million

FINANCIAL POSITION The Group's equity/assets ratio was 47.6 per cent (41.1) and the debt/equity ratio was 0.4 times (0.6). Net indebted subsequently mailed SEK 10,755 million (16,199), a reduction of SEK 5,444 million. DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of SEK 3.75 (2.00) per share be paid for the 1995 fiscal year. ANNUAL GENERAL METTING STORA's Annual General Meeting will be beld on Tuesday,

April 16, 1996 in Falun, Sweden. The full report may be ordered via STORA's Directfax service, tel: +46-23 12769 (document no. 1154), or from STORA, Corporate Communications, \$-791 80 FALUN, Sweden. Tel: +46-23 78 00 00. Financial information from STORA is also available via

MAISON WORMS & CIE _



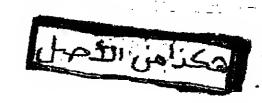
The Supervisory Board meetings of Maison Worms & Cie and Worms & Cie, held on February 21st, approved the Managing Partners' proposal to merge the two companies through the absorption of Maison Worms & Cie by Worms & Cie, a company which is quoted on the main Board of the Paris Stock Exchange.

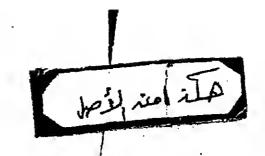
In line with the Group's development strategy, the aims of the merger are to enhance the value of the Group's assets and the stability of its shareholder base, to strengthen the unity of the Group and to simplify its legal structure.

The Supervisory Board meetings of April 23rd, which will examine the 1995 consolidated accounts, will issue a recommendation on the merger parities determined by the respective companies' Managing Partners based on the conclusions of the merger auditor and the fairness opinion provided by an independent expert.

The merger proposal will be submitted for approval to the Extraordinary General meetings of the two companies in June 1996.

During the Supervisory Board meeting of Worms & Cie, AGF and Ifil announced that they bad increased their shareholding in the company to 10% and 8% respectively.





COMPANY NEWS: UK

Divestments helped increase dividend and boost confidence

Leisure behind Rank advance

By Scheherazade Daneshkhu in Leisure Industries Correspondent

is Rank Organisation yesterday underpinned its confidence in the future by proposing a 19 91 per cent dividend increase for 13 1995 from 13.25p to 15.75p.

The diversified leisure group, which has changed its year-end from October to December, to reported more than double annualised pre-tax profits for -: calendar 1995 to £651m (£293m). This was after the inclusion of profits of £247m, relating mainly to the reduction in its i stake in Rank Xerox. The of underlying rise was of 6 per cent to £407m. Profits for the 14

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in months were £658m.

Mr Michael Gifford, who

retires as chief executive after the company's annual meeting on April 10, said current trading to January 1996 was "satisfactory", hut said it would be

"inconsequential in relation to the year as a whole". The shares, which fell on Wednesday ahead of the results, rose 15% to 479%p.

A sharp rise in profits in the leisure division - including Hard Rock Cafes' and nightclubs - was largely offset by a steep fall in the recreation division where hingo was hit by the National Lottery. Hard Rock Cafe openings

and a 12 per cent rise in nightclub admissions belped push operating profits up 33 per cent to £69m in the leisure division. Profits at the film and television division grew 11 per cent to £82m, including a £3m writedown on six cinemas. The main disappointment was in video duplication where profits fell despite a 25 per cent increase in volume. Turnover increased to £2.3bn



Sir Denys Henderson, chairman, speaking with Michael Gifford

BET rejects Rentokil's surprise deal

By Geoff Dyer and Tim Burt

BET, the husiness services fronp facing a £1.8bn (\$2.77bn) hostile bid from Rentokil, yesterday rejected an unexpected offer from the environmental and industrial services group to bny jnst three-quarters of the company.

The move came only two working days after Rentokil launched its hid and the unusual tactic surprised shareholders and analysts.

The approach was initiatied by a telephone call on Tuesday from Lazard Brothers, which is advising Rentokil, to Baring Brothers, BET's advisers. Mr Nicholas Jones, a manag-ing director at Lazards, pro-posed discussions about an

agreed deal for a group of BET husinesses including the textile services, distribution and electronic security operations.

BET rejected the proposal before any money had been discussed. It said the husinesses Rentokil wanted were core ones. "It would have left BET shareholders without the offer and the group with only

Under the proposal BET would have retained the plant hire, resort management and conferences operations. Any deal would probably have left BET with a large capital gains tax liability, it added.

Takeover Panel considers UniChem share movements

By Patrick Harverson

The Takeover Panel yesterday continued to question dealers and investment bankers at UBS and BZW about Wednesday's movements in the share price of UniChem, the drugs wholesaler battling with Gehe of Germany to take over Lloyds Chemists, the pharmacy chain. The two firms are stockbrokers to UniChem

and were operating in the stock market when the group's share price rose 11p to 253p on Wednesday morning. The sharp increase briefly pushed the value of

UniChem's shares-and-cash bid for Lloyds to 497.4p per share, within a few pence of the newly revised 500p per share all-cash offer that had been made by rival Gehe earlier in the

The increase also allowed the stockbrokers to buy Lloyds shares at a price close to the new Gehe offer and acquire a 9.9 per cent stake in the pharmacy chain for their client. If Uni-Chem's shares had not risen so far, the group would not have been able to have acquired such a large stake, said dealers.

Although UBS and BZW explained that Uni-Chem's shares had risen because of genuine demand from clients, representatives of Gebe complained to the Takeover Panel. The Panel's monitoring unit launched an investigation into whether the shares had risen because of market manipulation.

UBS or BZW would not comment yesterday. but a source close to one of the firms said the activities of their dealers on Wednesday had

Adverse weather blamed for lower Courtaulds Textiles

By Jenny Luesby

Courtaulds Textiles, the clothing company, yesterday reported a 12 per cent fall in 1995 pre-tax profits to £40.4m (\$62m), caused by adverse raw material prices and disappointing sales in the US.

Mr Noel Jervis, chief executive, said trading conditions had improved in January and February, with sales and profits in Europe comfortably

ahead. In the US, however, a realised they had over-esti-

had cost the company some £4m in profits, and raw material prices another £4m. There would be little relief this year to the margin soneeze caused by the rise in raw material costs, said Mr Jervis.

"We are not planning to sharp fall in sales in November and December - as retailers year," he said. The group would, however, be cutting mated the growth in consumer costs. It was setting a minidemand - was set to continue mum target for each one of a until at least March: 17 per cent return on capital. In the UK, the warm autumn employed, to be achieved within the next year.

This target had already been met by the core businesses, said Mr Jervis, but across the group last year's average return on capital employed was 12 per cent.

LEX COMMENT Nationwide

Nationwide

For a dying breed, building societies are putting up a good fight. Yesterday's packgood fight. Yesterday's pack-age from Nationwide – cut-ting mortgage vetes by 0.45 ting mortgage rates by 0.45 points and raising deposit rates hy 0.25 points - is an unexpectedly aggressive counter-attack. Suggestions from rivals that the move is unsustainable look distinctly 200 optimistic. On the contrary, it is striking how easily Nationwide can afford it. Like most societies, it is awash with capital and

yesterday's package will 1990-81 92-93 94-95 only slow the growth of its source capital ratios. It could go further if it wanted. A fight-back hy mutual societies is not

the only factor at work here. With Britain's lenders making extravagant profits, intense competition was likely But the societies are certainly presenting the banks with a

nasty dilemma. Should they match what the societies are doing? Given the societies' undoubted husiness advantage of not having to worry about shareholders, getting into a bead-to-head price war would be a serious mistake. Banks can, though, probably afford to compromise: fall

behind on rate-cutting, put up with some customers remortgaging, and mitigate margin pressure by passing on lower rates to depositors. That is certainly what they have done so

Nor is the competitive advantage of mutual status necessar ily sufficient reason for hanging on to it. Given the enthusiasm of die-hard mutuals to show that they are being run in the interests of their members, they should offer their members the choice.

Hanson suffers another defection

By David Wighton

Hanson, the industrial conglomerate which last month revealed plans to split into four separate companies, has suffered its second high-level management defection since the demerger announcement.

Following Mr Ron Fulford's resignation as chairman of Imperial Tobacco, it has managing director of ARC's emerged that Mr David Snowdon, who heads Hanson's ARC aggregates subsidiary, is leaving the group. It is understood he has accepted a senior position at another quoted com-

It is believed that Mr Snowdon, 51, had heen contemplating a move for some time but made his decision to leave only associated management changes were announced.

Mr Snowdon's replacement at ARC will be Mr Simon Vivian, 39, who was managing director of ARC's southern

Mr Snowdon would have been a leading candidate for the position of chief executive of the Hanson rump, the building materials and equipment company which will remain after the demergers. But the iob went to Mr Andrew Dongal,

director who has risen rapidly during the last three years. In 1993, when Mr Dougal was southern division, Mr Snowdon was an assistant director of the group and was made chairman of ARC in June that year. Mr Dougal became finance direc-

Hanson's 44-year-old finance

tor of the group only last year. The departures of Mr Fulford and Mr Snowdon appear to confirm fears that the smaller, post-demerger companies may find it difficult to retain their

Mr Fulford announced on Wednesday that he was leaving to join the attempt by Mr Bennett LeBow and Mr Carl Icahn to force a break-up of RJR Nahisco, the US food and tobacco group.

SCOR

The Insurers' Insurer

FRF 1,000,000,000 Multicurrency Revolving Credit Facility

Senior Lead Managers Dresdner Bank Luxembourg S.A. The Full Bank, Limited

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Landeskredit Baden Wurttemburg - L - Bank



Notice of Early Redemption to Holders of Series K

RSVP City Limited

U.S. \$271,000,000

Guaranteed Extendible Variable Rate Notes due 2006/2007

NOTICE IS HEREBY CIVEN that in accordance with Section 5.03(a) of the Indenture, dated 26th September, 1990, Series K of the U.S. \$271,000,000 Guaranteed Extendible Variable Rate Notes due 2006/2007 of RSVP City Lunited (the "Bonds") will be redeemed in full by RSVP City Limited on the Interest Payment Date falling on 22nd March, 1996 at their Principal Amount outstanding on that date together with interest accrued to the Date of Redempone.

Paying Agents Bunkers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE Bankers Trust Luxembourg S.A. P.O. Box 807 14 Boulevard F.D. Roosevelt L-2450 Lincembourg

nurrest shall cease to accrue on the Bonds from 22nd March, 1996

Bankers Trust Company, London 13rd February, 1996

SAKURA FINANCE HONGKONG LIMITED U.S. \$100,000,000 Guaranteed Floating Rate Notes due 1997 Guaranteed as to payment of principal and interest by

the Sakura Bank, Limited the Notes will carry an interest rate of 5.5% per annum with a coupon amount of U.S. \$137.50 per U.S. \$10,000 Note and U.S. \$3,437.50 per U.S. \$250,000 Note, payable on 22nd May, 1996.

Bankers Trust

Agent Bank



just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people

that can force them to chop down trees. Where hunger or poverty is the underlying cause

of deforestation, we can provide fruit trees. The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruir their nursery produces.

Where trees are chopped down for firewood. WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotes trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we

do with the people of the tropical forests. WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

and burn" farming methods. New tracts of tropical forest would then have

to he cleared every two or three years. This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of cleaning the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century. Write to the Membership Officer at the address

below to find out how you can help us ensure that this generation does not cononue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

USINOR SACILOR

Preliminary results. Net income for 1995: FRF 4.4 billion

The Board of Oirectors of Usinor Sacilor, meeting on Monday 19, February under the chairmanship of Francis Mer, reviewed the preliminary consolidated results for the year 1995.

The Group net income amounted to FRF 4,430 million compared to 1,006 million in 1994.

in FRF billions	1995*	1994**
Net sales	78.4	79.5
EBITDA .	12.3	9.3
ncome from operations .	6.1	4.0
Group net profit	4.4	1.0
Operating cash flow	8.1	5.7
Capital expenditure	3.0	2.8
Shareholders' equity (including minority interests)	28.9	22,1
Net financial debt	11.0	17.4

— DHS (plates and tubes) was fully consolidated in 1994 but only equity accounted in 1995.

Consolidated net sales for 1995 amounted to FRF 78,423 million, compared to FRF 79,458 million in 1994. The growth was 13.5 % on the basis of the 1995 structure. Volume growth accounted for 5 % and price increases accounted for 8.5 %.

Turnover was split thus: 48.7 % for Flat Products (Sollac), 25 % for Stainless Steel and Alloys (Ugine, J&L, Imphy, etc.) 20.5 % for Specialty Products (Aster: Unimetal, Ascometal, Alleverd, CLI, IMS, etc.) and 5.8 % representing the balance of other activities (Vallourec, Forcast, etc.) and inter group shipments.

In 1995 33.3 % of the sales were achieved in France, 44.2 % in other European countries and 22.5 % in the rest of the world. The United States

Activities of the first 9 months of 1995 saw an improvement in turnover of 16.4 % over the same period in 1994. There was a significant slowdown in the fourth quarter, as a result of the decision taken by Usinor Sacilor, as well as other European steel producers, to reduce production, in order to facilitate the rundown of the inventories that had built up within the distribution channel.

Net sales for the fourth quarter of 1995 amounted to FRF 18,689 million, an increase of 3.8 %, on a comparable basis, over that of the fourth quarter of 1994; Flat Products FRF 9,012 million, + 0.8 % on the 1995 basis, Stainless Steel and Alloys FRF 4,548 million, + 6.4 %; Specialty Products FRF 3,845 million, + 3 %. Compared to the same period for 1994 this resulted of a net decline in voluma (Flat Products - 4 %, Stainless Steel and Alloys - 5 %, Specialty Products - 8 %) but prices held up well (Flat Products + 4.8 %, Stainless Steel and Alloys + 11.4 %, Specialty Products + 11 %), it should be noted that more than half of Usinor Sacilor's turnover is generated by annual and multi-annual contracts with

Estimated EBITDA amounted to FRIF 12,350 million. It represents 15.7 % of the turnover (17.2 % for the first half of the year and 14.1 % for the second half). It is 17.8 % for Flat Products, 19.5 % for Stainless Steel and Alloys and 8.2 % for Specialty Products which includes the additional costs due to the delay suffered by Unimetal in converting its process from the oxygen to the electric arc furnace route.

income from operations, at FRF 6.143 million, shows a significant increase over 1994, and includes the effect of a substantial reduction in interest expense due mainly to lower borrowings (FRF 1,252 million being 1.8 % of the turnover compared to FRF 1,707 million being 2.1 % in 1994) and additional provisions of FRF 596 million over half of which are in respect of staff leaving on early retirement. Operating cash flow of FRF 8,111 million represents 10.3 % of turnover compared to 7.2 % in 1994 and reflects the improved performance

Capital expenditure in 1995 resulted in an outflow of FRF 3,020 million, similar to the FRF 2,830 million in 1994, bearing out the deliberate slowdown in expenditure which was however compatible with maintaining the tools efficiency at the best level. In 1995 this was considerably less than the depreciation charge in the accounts (FRF 4,360 million).

Cash flow from operations (Operating cash flow net of the increase in working capital requirements) funded virtually all the capital expenditure and financial investments in 1995, including the acquisition of the minority interest in Ugine s.a. (FRF 3,697 million). The capital increase related to the privatisation (FRF 4,749 million, net) was fully applied towards reducing borrowings.

Net financial debt at 31 December 1995 of FRF 11,043 million showed a decline of FRF 6,336 million.

The debt/equity ratio, which was still close to 0.8 at the and of 1994, now stands at less than 0.4. The first months of 1996 in Europe have been characterised by continued destocking by customers, which has led steel producers to maintain their policy of reduced supply. The arrusal contracts entered into between the subsidiaries of Usinor Sacilor and their major customers reflect conditions globally similar to those of 1995.

Investor Relations. Tel.: (33-1) 41 25 98 98



Thorn EMI seeks

buyer for Fona

Thorn EMI is to sell Fona, the Danish chain of music and

the group and its disposal marks the final stage of Thorn's

consumer electronics stores. Fonz belongs to the Thorn side of

strategy of focusing on the rental and rent-to-buy markets.

Fone, which includes 53 shops on high streets and shopping

malls throughout Denmark, is slightly more upmarket than

Thorn's other rental and retail outlets, which include Radio

Fons is one of the largest music and electronics chains in

Denmark and has steadily increased profits in recent years. It

made sales of £142m in the last full financial year to March 31.

Admiral, the information technology services, products and

training group, is seeking further acquisitions in Europe. Mr. Clay Brendish, executive chairman, said the company, which

last year acquired Delphy Consultants, a Belgian computer-

systems and software concern, was looking for other

He said the company might spend the \$2.2m (\$3.4m)

Streamline priced at 180p

(\$172m), at the top end of expectations.

of about £20m will be used to reduce gearing.

businesses in continental Europe, particularly in France.

proceeds from the disposal of its remaining stake in a joint venture with Powersoft, the US software company.

Shares in Streamline Holdings were priced at 180p yesterday,

valuing the specialist building materials group at £112m

The company, which is due to come to the market next Thursday, is placing 22m shares, representing about 35 per

cent of the equity, with institutional investors. The proceeds

Altce Hausthan

Rentals in the UK and Rent-A-Center in the US.

Admiral seeks further buys

DIGEST

Notice of Early Redemption to Holders of Series J

RSVP Westminster Limited ect with limited liability in the Cayman Islands) U.S. \$154,000,000

Guaranteed Extendible Variable Rate Notes due 2005/2006

NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of are, dated 31st October, 1990, Series J of the U.S. 5154,000,000 Ousranteed Extendible Variable Rate Notes due 2005/2006 of RSVP Westminster Limited (the "Bonds") will be redeemed in full by RSVP Westminster Limited on the Interest Payment Date falling on 22nd March, 1996 at their Principal Amount outstanding on that date together with interest accrued to the Date of Redemotion.

Bankers Trust Company 1 Appold Street Broadgate Bankers Trust Luxembourg S.A. P.O. Box 807 14 Boulevard F.D. Roosevelt London EC2A 2HE st shall cease to accrue on the Bonds from 22nd March, 1996.

Bankers Trust Company, London 3rd February, 1996

Principal Paying Agent

Westpac Banking Corporation

(Incorporated with limited liability in the State of New South Wales, Australia

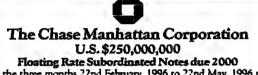
US\$ 150,000,000

Subordinated Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from February 23, 1996 to August 23, 1996 the Notes will carry an Interest Rate of 5.50 % per

The Interest Amount payable on the relevant Interest Payment Date, August 23, 1996 will be USS 278.06 for each Note of USS 10,000 and

> The Agent Bank Brown, Shipley & Co. Limited



For the three months 22nd February, 1996 to 22nd May, 1996 the Notes will carry an interest rate of 5.3125% per annum with a coupon amount of U.S. \$132.81 per U.S. \$10,000 principal amount, payable on 22nd May, 1996. Bankers Trust Agent Bank Company, London

companies available, For 10 Isle of Man D MURPHY, CA Tet +44 1524 815544 Fac +44 1624 81665 London MCHARD COOK, 85c Tet +44 171 395 1096 Fas: +44 171 495 301

COMPANIES
Hong Kong BART DEDGER, LIM Tet; +852 25220172 Fas: +852 25211190 KEVIN MIRECICL Esu Tet +1 714 854 3344 Fac +1 714 854 8967

COMPANY NEWS: UK

Seeking a strong home base despite disappointing UK results

Life advance boosts Royal Ins

By Raiph Atkins, Insurance Correspondent

Royal Insurance, the composite insurer, yesterday said it would not eschew growth in its home market despite deteriorating trading conditions, as it reported a 6 per cent increase in 1995 pre-tax operating profits to £439m (\$676m).

The shares ended up 3p at 389p, helped by a higher-thanexpected increase in the total dividend from 12p to 16p. Royal said it had still to complete the rebuilding of its dividend base after a cut in 1991.

Profits were lifted by an improved life results and strong North American profits, which offset lower-than-expected UK results hit by high subsidence and weather losses. December's freeze cost £40m and more recent severe weather in the UK and US is expected to cost £30m.

But Mr Richard Gamble. chief executive, said the "key to any business is a strong home base". Profits would not be sacrificed to save market share, but there was no need to be afraid of expanding in the UK market if costs were contained and business underwritten correctly, he said.

UK life profits increased by

23 per cent to £86m, but Mr Gamble played down suggestions that Royal might join the queue of financial institutions looking for acquisitions in the sector. "We are not going to go into any strong bidding war." A dip in pre-tax operating profits to about £400m is expected this year for a prospective



Richard Gamble: pointing to the benefits of a strong base

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Carlton denies MAI or United offers

By Christopher Price and Nicholas Denton

Carlton Communications was vesterday forced to deny it would make a bid for either MAI or United News & Media, after the Takeover Panel expressed concern over the growing speculation affecting the media groups' share prices.

Reports of an imminent bid by Carlton

for MAI, which two weeks ago announced

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Yr to Dec 31 834.5

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RESULTS

investment Trust

Mercury World Mining

TR High Income

Ardagh & British Gas

a £3bn (\$4.62bn) merger with United, had earlier caused sharp movements in the shares of all three media groups. The announcement from Carlton, issued at midday, quickly reversed the moves. The company stated: "Cariton wishes to

make it clear that, in the present circumstances, it does not intend to intervene in the proposed merger between United News & Media and MAL

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Earnings shown basic. Dividends shown not. Figures in brackets are for corresponding period. After exceptional charge, Vitter exceptional charge. Vitter exception ch

(45.2) (6.57) (9.3) (33.7) (40.2) (0.65) (26) (28.5)

(6.95) (40.64) (5.2) (17.9) (61.9)

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Cariton refused all other comment. However, it is understood that a bid for MAI was under consideration until recently, but the board, concluded it would not enhance shareholder value.

Carlton's oenial is unlikely to stem the speculation dominating trading in the media sector. Mirror Group, HTV, Scottish Television and TeleWest were being suggested as potential targets for Carlton.

CHEST

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Wickes moves into third place

Wickes said yesterday it had passed Do It All, the Boots/WH Smith joint venture, to become the UK's third biggest DIY retailer, in spite of heavy post-exceptional losses last year. Wickes also announced heavy investment in global systems across its operations in the UK, France, Belgium, the Netherlands, the US, and its new South African joint venture, including the capacity to sell goods on the Internet. The pre-tax loss for the year to December 31 was £258.0m

(\$397m), after an exceptional charge of £369m from disposal of the Hunter Timber and Builders Mate merchanting outlets last year. There were profits of £30.1m last time. Neil Buckley

Johnson Group makes US buy Johnson Group Cleaners, the dry cleaning and textile rental company, has completed the acquisition of Ethington Linen

and Uniform Rental Company of Kentucky for \$6.45m. A further \$225,000 may be paid over the next three years providing performance targets are reached. Ethington's 1995 sales were \$3.6m, with adjusted operating profit of \$114,000. Net assets at completion were \$2.7m.

CMC invests £8m in-Asia

Cookson Group, the international specialist industrial materials group, said Cookson Matthey Ceramics, its joint venture with Johnson Matthey, was investing almost £8m (\$12m) in Asian zircon opacifier facilities.

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U.S. \$75,000,000 Floating Rate Notes due 2000

Notice is hereby given that for the Interest Period 22nd February, 1996 to 22nd May, 1996 the Notes will carry a Rate of Interest of 5.7% per annum. The Interest Amounts payable will be U.S. \$142.50 per U.S. \$10,000 Note and U.S. \$1,425.00 per U.S. \$100,000 Note. The Interest Payment Date will be 22nd May, 1996.

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FIRST NATIONAL **BUILDING SOCIETY** Floating Rate Permanent Interest Bearing Shares

NOTICE is hereby given that the Register of Members of the Society holding Floring Rate Permanent Interest Bearing Shares will be closed on 5 March 1996 for one day only for the purpose of preparing the interest Payment payable on 19 March 1996. BY ORDER OF THE BOARD P. REVILLE

LEHMAN BROTHERS PORTUGAL GROWTH **FUND LIMITED**

The Quarterly Investment Review for the period to 31st December 1995 is LEHMAN BROTHERS INVESTMENT MANAGEMENT (JERSEY) LIMITED PO Box 289 Grenville Street, St Helier, Jersey. JE48TH, Channel Islands

m: Ann Williams Tel 01534 II Tel

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND Sicav Registered Office: 47, Boulevard Royal. L-2449 Luxembourg

Shareholders of Hypo Foreign & Colonial Portfolios Fund (the "Company") are hereby convened to an Extraordinary General Meeting of Shareholders to be held at the registeres office of the Company in Luxembourg, at 47, Boulevard Royal, L-2449 Luxembourg or February, 1996 at 3.00 p.m. to deliberate and vote on the following agenda:

To change the name of the Company to "Foreign & Colonial Partfolios to amend Article 1 of the Articles of Incorporation accordingly.
 To amend Articles 5, 16, 21, 22, 23, 27 and 30 of the Articles of Incorporat

to amend Article 1 of the Articles of Interpoparatives accordingly.

II. To amend Articles 5, 16, 21, 22, 23, 27 and 30 of the Articles of Incorporation.

Stareholders are informed that the full text of the proposed amendments to the Articles is available at the registered office of the Company in Lovembourg. In order for the Meeting to be able to deliberate on the proposed changes to the Articles, a quorum of 50% of the Shates in issue is required and any decision at the Shatesholders Meeting must be approved by Shatesholders bolding a oxijority of 2.3 of the Shatesholders Meeting must be approved by Shatesholders bolding a oxijority of 2.3 of the Shatesholders Meeting must be approved by Shatesholders bolding a oxijority of 2.3 of the Shatesholders Meeting.

III. Shareholders of Hypo Porcign & Colonial Portfolios Fund - Nordic Equity Portfolio and Hypo Forcign & Colonial Portfolios are further requested to resolve on a proposal for such two classes to be userged with offect from 1st April. 1996 into Hypo Forcign & Colonial Portfolios Fund - European Equity Portfolio the later to be renamed as Forcign & Colonial Portfolios Fund - European Smaller Companies Portfolio).

Shareholders of Hypo Forcign & Colonial Portfolio Fund - American Equity Portfolio Portfolio Portfolio Fund - American Smaller Companies Portfolio.

The vote on such item will be made at separate class meetings for which no quorum is required and a decision in favour of merger has to be approved by Shareholders holding 50% of the Slame represented at he meeting (provided the changes to the Articles under II above have been previously approved by the full Shareholders Meeting). The text of the investment policy of the (renamed) Forcign & Colonial Portfolio Fund - European Smaller Companies Portfolios to be manged are reminded that they may redeem their Shares at my time free of change.

In order to be able to participate at the Stareholders Meeting), holders of Bearer Shares have to deposit their Shares at least 3 clear days before the dure of th

Notice of Redemption to Holders of

Series D

RSVP MAYFAIR LIMITED orporated with limited liability in the Cayman Islands) U.S. \$79,000,000

Guaranteed Extendible

Variable Rate Notes due 2006 NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 31st March, 1992, Series D of the U.S. \$79,000.000 Guaranteed Extendible Variable Rate Notes due 2006 of RSVP MAYFAIR LIMITED (the "Bonds") will be redeemed in tull by RSVP MAYFAIR LIMITED on the Interest Payment Date falling on 14th March, 1996 at the principal amount date together with the interest accrued to the date of redemption.

Principal Paying Agent Goldman Sachs (Cayman) Trust, Limited P.O. Box 896 Grand Cayman British West Indies

By order of the Board

Paying Agent Kredietbank S.A. Luxembourgeoise 43 Boulevard Royal

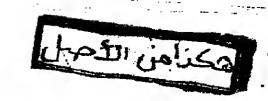
Interest will cease to accrue on the Bonds from 14th March, 1996.

Goldman Sachs (Cayman) Trust, Limited
Principal Paying Agent 23rd February, 1996



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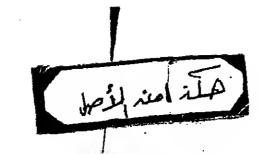


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COMMODITIES AND AGRICULTURE

Broker reduces estimate of world sugar surplus

By Richard Mooney

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Months

London sngar broker C. Czarnikow has raised its esti-mate of the world 1995-96 sugar crop marginally from the record level it forecast last November. However, with the consumption projection showing a more substantial rise, it has cut the overall surplus

In the latest issue of its Sugar Review Czarnikow puts the current season's production at 121.14m tonnes, up from 120.82m in the November review, while the consumption figure is raised from 116.26m tonnes to 116.95m. As a result the predicted surplus has been cut from 3.9m tonnes to 3.5m tonnes (in both cases after allowing for "unrecorded disappearance" of 650,000 tonnes).

Czarnikow estimated the surplus in the 1994-95 season at **Public** Ledger to

go 'on-line' By Richard Mooney

The Public Ledger, the weekly apecialist commodities newspaer, is to go "on-line" on a wholesale basis with a screenbased news service offered to subscribers via Bloomberg, ADP and FutureSource.

The service will be launched with Commodity Market Services, a subsidiary of the London Commodity Exchange. "PLCN offers truly global coverage of commodities markets with a European focus," says a

Public Ledger statement.
"PLCN will also issue comprehensive technical analysis and market reports for commoditles in the physical, futures and options markets quoted on the European exchanges: LCE/Liffe, London Metal Exchange, Agrarische Terminmarket Amsterdam and Matif Diffusion, Paris,"

The review suggests, bow-ever, that the market impact of the large world surplus will be reduced because restricted port capacity will result in India being forced to retain a large part of its exportable surplus. A recent addition of 150,000 tonnes has raised the country's total export authorisation of 650,000 tonnes. But Czarnikow says the shipment problem. quite apart from the readiness of [Indian] mills to accept world market prices later in the year, ahould these move lower", is likely to result in "a large proportion of the surplus generated in India from both the current crop and the

1994-95 season", remaining inside the country. So far this season a succession of unusual factors has enabled the world sugar price to defy the increasingly bear-

ish fundamental supply/de-mand outlook, according to Czarnikow. "Crops have run late in West Europe, the Caribbean and Central America as well as Thailand," it says in the review. "These delays in supply have found buyers with prompt requirements which have already been deferred with little leeway for further

"Against this backdrop," it adds, "the USA has not only increased the current [import] qnota but US refiners have needed additional supplies in order to unwind earlier swaps of quote for world sugars in their normal re-export business." The result, its says, has been a firm undertone to the market and a rising trend of world prices for prompt sugars "that seems at odds with the statistical outlook for six to 12

MARKET REPORT

Gold continues to gyrate

The London GOLD price continued to gyrate around the \$400-a-troy-ounce level yesterday and might manage a move a few dollars higher, dealers

"It looks like it's in a \$398 to \$402 range, but if it breaks away, we're more likely to see \$405," one said.

The price fixed slightly higher at \$399.65 an ounce, and closed at \$400.20, up \$2.65. Japanese selling put the spot price under pressure early on, but one dealer said that represented profit-taking and inves-

expectations of more dollar strength. After this week's dramatic prices moves, the most likely scenario was a period of consolidation, others said.

tor demand should hold up on

At the London Metal Exchange base metal prices mostly edged higher in what traders described as "patchy hustness". Three months COPPER ended the after hours "kerh"

close at \$2,493 a tonne, up \$11. with the cash premium widen-

ing to \$47 at one stage from around \$35 on Wednesday. Values were lifted by news of two small earthquakes in central Chile, the world's largest copper producer, though mines

reported no damage. Chart resistance at \$2,500/05 was tested as the three months price peaked at \$2,501, but the resistance level remained intact and could prove a significant technical burdle in the short term. Traders and analysts said

some copper was expected to be delivered out of LME Long Beach warehouses on Friday while European stocks should ALUMINIUM stocks could rise by about 6,000 tonnes, they

added. Prices for the metal fell

on a bout of selling towards

the close. LEAD matched Wednesday's 5-1/4 year high of \$785, but profit-taking trimmed prices. Compiled from Reuters

S Africa's JCI defends forward gold sales

By Mark Ashurat In Johannesburg

JCI, the South African mining finance house which has sold forward all gold from its Western Areas mine until 2004, yes-terdsy defended ito hedge despite the rally in bullion prices and this week's collapse of the Rand against the dollar. Mr Bill Nairn, managing director, said the group was exercising its option on 55 per cent of the forward sale, and

was currently selling at spot price. There were no options on the remaining 45 per cent of the 7.3m troy ounces of Western Areas gold committed over eight and a half years, but this had been rolled over. "We are able to benefit fully from the higher gold price," be said. Analysts questionned the bedge, which was arranged to fund the sinking of new shafts at Western Areas. Gold fell helow the benchmark \$400 in Johannesburg earlier this

lised at about \$397. South African gold was becoming more competitive, and the weakening Rand cast doubt on the wisdom of long term forward sales, said one analyst. "The more the Rand depreci-

ates, the more we like South African gold shares. The good news is tempered by the hedge, which takes a bit of the shine

The Rand plunged to a record low of RA.03 against the

dollar on Wednesday. The currency bas been hit by speculation that the abolition of exchange controls was imminent, concern that the Rand was over-valued, and reports that President Nelson Mandela

was unwell. JCI yesterday posted a 35 per cent increase in attributable earnings to R127m (R94m) for the six months ended December 1995. Equity accounted earnings rose 75 per cent to R179m, or 120 cents a share (69 cents). Attributable earnings were 85 cents a share (63 cents). The interim dividend was 24 cents; no dividend was declared for the comparable period last year. Details of the forthcoming rights issue at JCI's Joel mine would be released in early March. Little progress had been made in the proposed sale to black investors of a portion of majority shareholder Anglo American Corporation's 40 per cent stake

led to the Wibdeco-Fyffes agreement. "We should be the

ones looking for what we want

rather than people looking for

what they want us to have," he

US offer threatens Windwards banana split

Canute James reports on a controversial marketing move by Chiquita Brands

overnments and marketing agencies in the Windward Islands are battling to prevent rabel banana farmers from selling their fruit to an American company, a move that they contend will damage the already troubled trade in the islands.

The four islands are the main source of bananas consumed in Britain, and the differences between the marketing boards and some farmers coincide with criticism of the recent purchase of the banana business of Geest by a joint venture created by the islands and Fyffes, the Irish fruit mar-

keting group. This has further damaged the prospects for the industry, which has longer-standing concerns over the future of its preferential access to the European Union for a commodity that is the pillar of several island economies. US banana producers, the US government and some EU governments want greater access for Latin American bananas to Europe, while the islands, and other traditional suppliers to the EU. say this would destroy their

This explains the sharp reaction by governments and marketing hoards in the islands (Dominica, Grenada, St Lucia and St Vincent) to a move by Chiquita Brands International of the US, to purchase fruit directly from the islands' farmers. The farmers traditionally

A St Lucian banana farmers' union has started a strike to protest what it describes as the government's refusal to answer its questions about the industry, writes Canute James in Kingston, Members of the Ranana Salvation Committee say they will not reap any fruit for a

St Lucia is the biggest producer in the Windward islands, the source of most bananas consumed in Britain.

The union said it had asked Mr John Comp-

cell to the region's marketing boards, and have been told by the boards and the governments that the higher prices being offered by Chiquita Brands should not blind them to the longer-term benefits of their traditional markets.

"We would be interested in marketing any portion of the crop that is available, from some minimum volume up to all of it," Mr Michael O'Brien, senior vice-president of Chiquita Brands, told a regional news agency. He said his company wanted to get involved again in the industry in the Windwards as it was before the region was given preferential access to the EU. He denied charges from Windward Islands officials that the company had not discussed its interest in marketing the

region's bananas. Concern in the Windward Islands over the involvement of Chiquita Brands in the trade is hased on the company's complaint to the US government that the EU import regime is

freedom to sell fruit to any potential buyer and for greater involvement of farmers in the management of the industry. "Once again you have demonstrated how lit-

tle regard you have for farmers. . . by failing to respond to our concerns," the union said in a statement to Mr Compton. Strikes by the union last year affected the volume of bananas exported by St Lucia.

it means that our shipping, if

we can get it at all, would

become more expensive, as will

other services. We are already

low the Banana Salvation Com-

mittee, a St Lucian farmers'

union, which said it would sell

to the US company. In addition

to higher prices. Chiquita was

offering farm-to-port transpor-

tation and other conditions that were more favourable

than those offered by the new

joint venture created by Wib-

deco and Fyffes, said the

"The proposal from Chiquita

is like heaven, against the bell

we are getting now," said Mr

Patrick Joseph, the union's

general secretary. Farmers

were left out of the recent

negotiations with Geest that

JOTTER PAD

They fear that others will fol-

high cost producers."

ton. St Lucia's prime minister, about payment

to farmers on the delivery of fruit, about the

discriminatory as it caps Latin liaments of each of the Windward Islands late last year American exporters' access to Europe. The US Trade Repregave Wibdeco sole authority over the sale of exportable sentative agreed, and has complained to the World Trade quality bananas, he said. "If we Organisation. start splitting this up again into sales to different countries

Mr Peter Carbon, Dominica's agriculture minister, told farmers that Chiquita's offer of a higher price than that paid by marketing boards was intended to "destabilise" the industry in the islands during a period of transition. He argued that companies, such as Chiquita Brands, wanted a monopoly of the industry, "so that by the time the European agreement goes for renegotiation in 2002, we will not be ready to move forward".

What Chiquita wants is to get into the Windwards so they hegin to have control, and at the appropriate time they will let us go when they have the matter under their own con-trol," claimed Mr Arnhim Eustace of the Windward Islands Banana Development and Exporting Company (Wibdeco). Legislation passed in the par-

The £147.5m joint venture has been attacked by Mr Julian Hunte, St Lucia's opposition leader, who suggested that the operation would not be profitsble, and that about £50m too mnch was paid to Geest. "We

are going to have to learn to swim in an area where Geest with all the expertise, has pulled out. One wonders how the islands will be able to cope. The acquisition includes Geest's UK banana holdings with supply and licence agreements to 1999. Geest's European dollar banana husiness, the two vessels - Geest St

Lucia and Geest Dominica and a Costa Rican farm. The sale was for the entire operation, said Windward Islands officials. The two ships were not owned by Geest but had been obtained by the company on a hire pnrchase arrangement, and were designed to carry Costa Rican and Windwards fruit. They were too large for the Wibdeco operation, said Mr John Compton. St Lucia's prime minister. "We need to decide whether we retain or sell them," be said. "The Costa Rican farm is not profitable and will be sold, meaning the Geest operations

would have been effectively

acquired for about £50m.

COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE M ALUMINIUM, 99.7 PURITY (\$ per torne)

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Precious Metals continued BOLD COMEX (100 Troy oz.; \$/troy oz.)

400.5 400.9 62,545 108,863 403.5 6,497 33,898 1 405.8 372 11,370 0 409.0 14 3,830 410.0 525 13,924 -2.5 404.9 -2.5 407.1 -2.5 407.3 -2.5 409.0 525 13,924 70,949 215,203 PLATINUM NYMEX (50 Troy oz.; \$4roy oz.) -6.8 419.5 413.5 4,492 15,220 -6.9 421.5 416.0 73 4,246 -0.9 422.5 420.0 13 1,230 -6.9 - 24 65 4,578 20,262 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 141.90 -2.35 144.00 141.50 385 2,711 143.10 -2.35 145.25 143.00 802 4,735 144.35 -2.35 - 4 107 145.60 -2.35 147.50 147.50 4 72 Mar Jose Sap Dec Total 145.60 -2.35 147.50 147.50 1,191 7,685 SILVER COMEX (5,000 Troy ex.; Cents/troy ex.) -5.3 554.5 554.5 22 22 -6.6 560.5 551.5 27,090 40,832 -5.6 555.5 557.0 7,371 30,812 -5.6 559.5 561.0 568.0 61 10,630 -6.6 551.0 572.0 347 6,796 -6.6 561.0 572.0 347 6,796 -6.0 572.0 347 6,796 6.0 572.0 347 6,796 6.0 572.0 347 6,796 6.0 572.0 347 6,796 6.0 572.0 347 6.0 572.0 347 6,796 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 572.0 347 6.0 Feb Mer May Jei Sep Dec Total price 22,75 19,65 18,95 18,50

CRUDE OF NYMEX (42,000 US gale, \$/barrel) 78.98 11,239 2,110 19.50 52,468 100,198 18.88 31,596 52,943 18.43 19,134 41,310 18.15 8,287 38,056 17.95 4,916 16,444 -5.06 -0.10 -0.10 -5.10 18.07 137,530 402,504 E CRUDE OIL IPE (\$/barra) 18.06 13.503 60,239 17.40 6,348 36,371 18.06 13.503 60,239 17.40 6,345 36,371 17.02 4,634 25,166 16.80 1,110 25,844 16.63 370 5,421 16.50 265 9,821 Apr May Just Amp Sep Total HEATING OIL, NYMEX (42,000 US galls.; c/US galls.) Latent Day's price change 59.85 +0.81 58.25 21,257 28,912 53.75 14,050 21,398 50.90 5,226 10,082 2,722 10,420 1,241 6,061 484 4,807 46,462 97,913 49.60 E GAS OIL IPE STAGE | Sett | Dey's | price | Shange | 1896 | Low | Vol | 177.25 | +3.75 | 179.00 | 175.50 | 9,107 | 162.25 | +2.25 | 163.25 | 187.25 | 4,551 | 156.25 | +1.00 | 157.75 | 156.00 | 3,225 | 154.00 | +1.25 | 155.25 | 154.00 | 153.00 | 125 | 153.75 | +1.25 | 154.00 | 154.00 | 158.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 3,335 7,362 7 1,443 7,560 1 125 4,864 1 10 2,536 19,561 65,447

MATURAL GAS KYMEX (10,000 mmetil; \$/mmstil) 2.565 +0.118 2.288 +0.100 2.125 +0.089 2.030 +0.023 1.990 +0.028 2,575 2,557 30,406 25,862 2,288 2,180 6,402 24,590 2,190 2,051 2,031 18,560 2,045 2,075 1,155 13,062 1,955 1,970 1,449 11,809 1,955 1,970 675 10,573 MYMEX (42,000 US galls.; a/US galls.) price 59.20 -0.26 -0.41 -0.30 -0.35 -0.25 59.75 59.00 12,829 18,884 61,10 60.50 10,270 25,171 50.00 59.50 2,622 12,838 50,60 50.30 1,380 5,864 57.30 56.80 380 3,931 55,60 55,40 133 2,875

GRAINS AND OIL SEEDS ■ WHEAT LCE (€ per tonne) Sett Bay's Open price change High Low Vol Int 118.50 +0.45 118.50 117.85 157 630 120.55

industry.

121.10 123.00 110.90 3,622 520 187 1,391 182 6,557 +0.20 123.00 122.50 +0.20 110.60 110.60 +0.10 11235 11225 ■ WHEAT CBT (5,000bu min; cents/80to bushel) 495.50 -15 507.00 495.00 8.139 24,702 483.00 -10.25 491.00 482.00 3,867 20,688 447.75 -8.75 454.75 446.50 9.104 45,622 450.00 -7.25 455.00 449.00 329 8,094 458.50 -7 464.00 458.00 350 5,742 458.00 -6 462.00 465.50 12 145 MAZE CBT (5,000 bu mire cents/56th bushel) 375.00 -2.25 377.00 572.50 34.805.105.533 \$78.50 -1.75 380.00 376.25 26.947.163,008 373.00 -2.25 374.75 370.50 13,014.110,037 - 328.00 325.00 +0.5 314.75 311.50 +0.5 319.75 316.50 1,779 33,085 7,539 78,503 422 5,920 84,379 518,729 BARLEY LCE (C per tonne)

108.70 -0.70 108.50 108.40 110.65 +0.15 110.15 118.00 105.80 - -449 458 32 244 32 1,183 724,00 -2.75 726.50 721.50 14.252 39.314 735.25 -2.25 738.00 732.50 21,158 54,954 744.00 -2.25 746.00 741.00 7.509 42,841 745.50 -2.25 746.50 742.50 406 4,804 406 199 8,429 733.00 -0.75 735.50 731.50 729.75 +2.75 731.00 724.00 SOYABEAN OIL CBT (60,000lbs: cents/lb) 24.46 +0.14 24.49 24.20 4.932 23.555 24.80 +0.1 24.85 24.57 6.933 25.152 25.16 +0.07 25.23 24.96 2.488 19.012 25.24 +0.05 25.55 55.25 183 6.418 25.48 +0.05 25.50 25.38 159 2.576 25.70 +0.11 25.65 25.55 24.5 2.927 15.559 36.020 M SOYABEAN MEAL CET (100 tons; \$/ton)

-2.5 228.9 227.0 4,289 18,770 -2.5 233.0 231.0 7,235 33,113 -2.5 236.0 233.8 2,895 21,843 -1.7 235.5 233.9 389 3,876 -0.5 235.0 233.0 10 2,558 -0.5 231.0 228.5 150 1,871 Mar Nay Jul Sap Oct Total 15,814 88,120 POTATOES LOE (E/A 200.0 173.6 188.5 225.0 105.0 Mar Apr May Jen Hov Total 448 950 1,498 1,479 652 48 1,183 1400 1394 1432 1405 1425 1415 1305 1300 1340 1325 1380 1380 1394 1425 1419 1305 1340 1380 -21 -15 -14 -5 -10 -20 Peb Mar Apr Jul Oct Jap Tatal Chee 1406 103

Wool News the Bremer Wollcammerel, the leading German woolcombers, was cutting capacity and employment further, after locicating cuts only a few weeks ago, only underlined the problems tacing the merket sector. SWK also have a plant in Australia, encouraged by government belief there that orward processing would entarge Australia's share of wool profits beyond the sheep. With Chineses demand sparmodic and Japan less dominant as a consumer Western Europe is still a steady and important factor in the world wool mainted and important factor in the world wool mainted and important recession in the earlier processing sectors of the wool tedde industry. The Australian market indicator closed at 552 cents, down 3 cents on the week after touching 591. New Zeeland was desern, the indicator there being 11 cents higher at 485.

MEAT AND LIVESTOCK SOFTS ■ COCOA LCE (£/tonne) Sett . Day's Open price change High Low Vol let.

-10 2144 +3 2004 - 1917 +9 1890 +11 -+6 -

-0.65 126.00 124.00 1,504 -1.00 124.00 122.05 6,467 1/ -1.00 122.50 120.40 855 -1.25 121.25 112.75 105 -1.50 120.00 117.50 38 -1.50 118.50 118.50 15

+1.7 384.5 381.0 389 14,257 +2.2 360.5 358.1 743 6,546 -0.4 322.1 321.7 510 4,156 -0.2 312.0 310.5 53 2,490 +0.3 307.0 306.5 22 785 +0.8 304.1 303.0 43 515

12.63 +0.04 12.65 12.45 8,442 30.592 11.79 +0.09 11.50 11.63 9,367 53,938 10.94 +0.05 10.94 10.83 2,165 32,110 10.60 +0.04 10.60 10.50 814 25,975 10.30 +0.02 10.30 10.22 250 13,405 10.18 +0.02 10.20 10.12 108 2,749 10.11 1

82.13 -1.22 83.10 82.00 6,009 5.005 83.55 -1.10 84.35 83.40 6,550 23,102 84.13 -0.88 84.70 83.75 1,063 10,640 80.85 +0.05 80.70 80.70 37 2,230 78.45 -0.02 78.95 78.20 544 14,483

14.277 59,472

3,757

COFFEE 'C' CSCE (37,500lbs; cents/fbs)

119.75 -1.25 121.25 118.75 117.50 -1.50 120.00 117.50 117.55 -1.60 118.50 118.50

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/tbs)

-0.12

INDICES

249_93

Feb 21 197.05

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

Feb 20 249.64

Feb 21 month ago 2147.6 2144.2

Feb 20 month ago 194.53 185.78

month ago 242.37

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

■ COCOA CSCE (10 tonnes; \$/fonnes)

10.60 11.90 11.90

COCOA (ICCO) (SDR's/tonne)

63,000 -0.825 B4.100 62,500 1,493 1,627 889 1.771 8.901 406 12,533 488 36,898 254 16,437 192 31,714 62.525 +0.400 62.725 62.060 62.100 +0.225 62.225 61.600 63.075 +0.125 63.200 62.750 ■ LIVE HOGS CME (40,000lbs; cents/be) Feb Apr Jun Jul Ang Out Total 49.300 +0.200 49.600 48.600 46.800 +0.600 46.850 45.700 52.050 +0.725 52.100 51.725 50.675 +0.526 50.700 49.900 48.825 +0.300 48.875 48.400 45.100 +0.150 45.250 44.900 1273 111 789 1287 4,058 43,380 1376 744 17,004 1330 391 11,104 1360 228 10,037 1389 1 7,345 450 660 1,733 12,474 877 9,054 324 2,927 391 3,992 234 2,027 PORK BELLIES CME (40,000lbs; cents/lbs) Feb May May Jol Aug Total 62.500 +0.550 62.500 61.750 61.400 +0.725 61.900 60.450 62.375 +0.875 62.700 61.800 59,775 +0.650 50.850 58.500 92 216 1,189 2,892 1,895 3,765 168 1,552 56,375 +0.775 56,850 56,000 2085 1,290 8,257 1965 2,595 14,613 1865 457 4,419 1860 264 2,897 - 1,276 - 142

LONDON TRADED OPTIONS ALUMANUM

LONDON SPOT MARKETS ■ CRUDE OIL FOR (per barrel/Mar) Dubsi Brent Blend (disted Brent Blend (Apri) W.T.I. \$16,60-6,69w \$19,67-9.70w \$177-179 \$191-193 \$95-97 \$174-176 \$210-213 ■ OTHER Gold (per troy oz) Säver (per troy oz) Platinum (per troy oz Patiadium (per troy oz \$400.20 558.5c \$415.90 \$140.00 +6.0 +0.50

124.45 +0.30 125.50 124.20 1,126 6,891 124.70 +0.35 125.70 124.40 1,180 7,961 124.75 +0.35 125.50 124.40 229 1,904 124.00 +0.75 124.20 123.80 13 1,785 121.20 +0.25 121.30 121.20 20 556 121.10 +0.20 121.50 120.50 22 1,856 121.10 +0.20 121.50 120.50 20,860 Cattle (five weight)† Sheep (five weight)† 4 Pigs (five weight)† Lon, day sugar (raw Lon, day sugar (wto Barley (Eng. feed) Maize (US No3 Yellow Wheez (US Dark North Rubber (Mar)♥
Rubber (Apr)♥
Rubber (KL RSS No1) Coconut Oil (Phil)§

IN LIVE CATTLE CME (40,000lbs; cents/lbs)

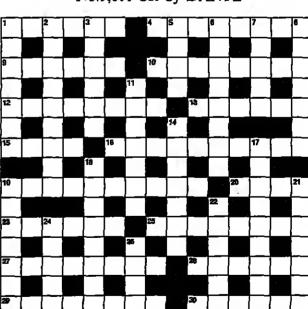
Sett Dey's Open Price change High Low Vol int

+0.175 +0.33 +0.285 +0.34S rompt delivery CIF (torme)

123.0c 41.75c Unq. 293.50c Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 120.02 129.73 106.53 \$317.1 \$407.5 -0.6 -1.5 Unq. 160.5z Unq. 109.25p 109.25p 406.00m \$745.0w Paim Oil (Malay.)§ Copra (Pnil)§ Soyabeans (US) Cotton Cuttook'A' \$520.0 480.0y 207.0y 84.35

CROSSWORD

No.9,001 Set by DANTE



1 Might number clues in the wrong order (6) 9 Throw out uneven and infe-

rior material (8) 10 Measure of alcohol - gets more than one's share of froth on top (8) 12 Humiliating return from a summit meeting? (8) 13 He carries cases of wine with little besitation (6) 15 Fancy something similar? (4)

18 Sue is invited to stay over (5.1.4)19 Shattering into pieces? Cor-20 Experts break the case (4) 23 Is deep, perhaps, but may be detected (6) 25 Ship carries the right pennant

27 The fiscal system makes allowances for him (8)
28 Material mother makes on request (6)
29 Leave one's hotel to investigate (5,3) 30 Collect a petition (6)

DOWN

1 US claim settlement in Oklaboma, say (7)

2 He has found a job at last (9)

8 I'd come up in a cheap car, pretentiously polished (2-2-2)

5 A spinner at his peak? (4) 6 Settlement of loss paid out (8) return? Quite the opposite (5) 8 Doreen's been ordered to grant approval (7) 11 Self-conscious about hlemish,

dark in colour (7) 14 Outvotes? (7) 17 Go with Bill to business (8) 18 A line of washing? (8) 19 He's onwilling to give credit

21 One who is out to score a goal

22 Proceed to make good (6)
24 Small fairy that is found at the bottom of page nine (5) 26 The country for exercise and sport (4)

Solntion 9,000



INTERNATIONAL CAPITAL MARKETS

omy in general".

the D-Mark and the yen

rency was changing hands for

DM1.4509 and Y105.10 com-

pared with DM1.4492 and Y104.9 late on Wednesday.

Bonds tumbled on Tuesday

after Mr Alan Greenspan.

chairman of the Federal

Reserve. made comments

nal that he did not believe the

economy was as weak as many had come to believe.

German auction result sparks 'confusion'

By Martin Brice in London and Lisa Bransten in New York

The German government bond market was dominated by the results of the auction of fiveyear bonds, in which the Bundesbank accepted all DM4.236bn

GOVERNMENT BONDS

of bids, with the average at 99.92. One bid was accepted at the lowest price of 99.01, which is believed to be a record difference between the average and the lowest.

There was surprise at the lowest price, with market participants variously describing the result as "a disaster", "a debacle", and causing "a hell of a lot of confusion". There was speculation among traders that the Bundesbank was anxious to get supply away before an unexpectedly large M3 number today. There were sugges-

By Conner Middelmann

Two Chicago exchanges are

planning to supplement the

fast-growing array of emerg-

ing market derivative instru-

ments with futures and options

on Mexico's leading stock

The Chicago Mercantile Exchange (CME), the Chicago Board Options Exchange

(CBOE) and Bolsa Mexicana de

Valores (BMV) yesterday

signed a deal to list the Bolsa's IPC index on the two US

exchanges. The IPC is a broad-

based capitalisation-weighted

futures options while the

CBOE will list cash-settled

options on the index - pending

regulatory approval. In return, the BMV will receive licensing

fees for the use of its index,

and advice from the two

WORLD BOND PRICES

index composed of 35 stocks. As early as April, the CME plans to list IPC futures and

Mexico's IPC index

tions that the low demand was caused by reluctance of investors to venture past the 1999 date for European monetary, union, but others thought recent heavy supply of D-Mark eurobonds and Pfandbriefe was a contributory factor.

However, Mr Julian Jessop. international economist at HSBC Markets, said: "This is the result you would expect in a bad market."

The curve steepened as the yield on two-year paper fell 5 basis points and that on 10year paper by a point, with the spread between the two maturities at 227 points. On Liffe the March 10-year hund future closed at 97.22, down 0.17. The yield spread of 10-year bunds over Treasuries widened 3 basis points to 33.

■ The French yield curve steepeoed, with the yield on one-year paper falling 10 basis points and that on 10-year paper by 3 points. On Matif the

exchanges on fine-tuning

March future settled at 120.50. up 0.40 while March Pibor rose 0.13 to 95.37. The spread over bunds tightened a point to 36.

■ Italian government bonds followed the trend, with the yield on two-year paper falling 18 basis points and that on nine-year paper falling 4. The spread over 10-year bunds tightened a point to 446. On Liffe the March future fell 0.32

■ UK government bonds were unaffected by the 0.45 percentage point cut in the Nationwide mortgage rate, although Mr Andrew Roberts at UBS said if the move was followed by other lenders, it would cut 25 basis points off the retail price index and could lead to investors moving along the index-linked curve. The March future on Liffe

closed down 2 at 107% while the spread over 10-year bunds widened 6 basis points to 164.

■ The Swedish yield curve mist at Donaldson, Lufkin & steepened after the 25 basis points cut in the repo rate, and the 50 basis points cut in the deposit and lending rates. The spread over 10-year bunds signal "sluggish growth in the tightened 25 basis points to labour market with corre-242; one-year yields fell 11 basis sponding effects on the econpoints and nine-year by nine.

 A jump in weekly claims for unemployment benefits helped US Treasury prices move briefly higher yesterday, but by midday bonds were hovering near their levels of late Wednesday as the market continued to consolidate.

Near midday the long bond was 1 stronger at 95% to yield 6.361 per cent, while at the short end of the maturity spectrum the two-year note was up at 992 to yield 5.101 per cent.
Initial claims for unemployment becefits increased by 5,000 applicants to 391,000 last week, the Labour department

Ms Marilyn Schaja, an econo-

nese institutional investors.

Italy has a strong relationship

Jenrette, said that although corporate the weekly claims figures are not necessarily a good indica-tor of the monthly unemploydefaults ment figures, they do appear to

By Antonia Sharpe

The volume of corporate bond defaults rose in 1995, the first Also helping bonds were year-on-year increase since rumours that the Federal 1990, snapping a trend of nar-Reserve had bought two-year rowing yield spreads over the and five-year notes under the five-year period, Moody's, the table and a strengthening in international ratings agency, the value of the dollar against said in its annual default In early trading, the US curstudy.

Last year, 46 issuers worldwide defaulted on more than \$8.2bn of long-term and publicly-held corporate debt, up sharply from 24 defaulters and \$2.3bn in 1994. Such a level has not been seen since 1992 when 50 issuers defaulted on \$8.3bn. investors interpreted as a sig-

The increase led to a widening of 85 basis points in the spread between Moody's spec-ulative-grade yield index and seven-year US Treasuries during 1995.

Moody's said the larger volmue of defaulted debt partially reflected the higher number of issuers with speculative-grade ratings – 940 at the start of 1995 after 814 in 1994 – but that it also shows that the risk of default is rising. Moody's speculative-grade default rate rose to 3.2 per cent in 1995 from a 13-year low of 1.8 per cent in 1994.

A significant portion of last vear's defaulted debt was issued during the refinancing spree of 1992 and 1993. The largest bond default in 1995 was by the US supermarket operator Grand Union Company. Including its \$239m default of long-term public debt, the company added more than \$1.3hn to 1995's total.

Event risk struck hard in 1995, Moody's said, with events such as Dow Corning's strategic Chapter 11 filing to avoid liabilities related to the use of its silicon products in breast implants. The action threw \$160m of long-term pubic debt into default.

Study finds | Property sell-off | at Swedish banks

By Christopher Brown-Humes in Stockholm

The final chapter in Sweden's financial sector crisis has begun to unfold as the country's banks move to rid themselves of more than SKr50bn worth of properties, involuntarily acquired as collateral for sour loans in the early 1990s. Last week Skandinaviska Enskilda Banken set the ball rolling when it announced plans to spin off properties worth SKr23bn to its share-

holders, creating Sweden's biggest real estate company at a stroke. This week Svenska Handelsbanken and Swedbank picked up the theme, promising demergers that will hand properties worth a further SKr16bn to their shareholders. All three banks' property units will be quoted on the Stockholm stock exchange this year.

Föreningsbanken and Stadshypotek are expected to make similar moves in due course. Nordbanken, however, will not be in the queue, even though it was the biggest casualty of the loan-loss crisis and had to be taken over by the state in 1992. It only has a small property engagement because most of its sour loans were dumped in

a separate "bad bank" called

Securum. Securum has exten-

sive property holdines. Plunging property values were the main cause of the Swedish banking crisis. accounting for an estimated 70 to 80 per cent of the SKr150bn of credit losses built np by Swedish banks over the last five years. The collapse forced the banks to take over thousands of properties, both in Sweden and abroad, to protect

their claims. Although clearly reluctant owners, banks have had to sit on these property portfolios while they rebuilt their own strength and property markets stabilised. Even today, the real estate market is too fragile to allow the banks to sell off their done so, they would have flooded the market and under

mined prices. Only in the past year have the banks become strong enough to be able to capitalise their property offshoots with their own capital, giving them the financial strength to operate as independent entities

But analysts still say their timing is questionable Although Sweden's long term bond yields have fallen sharply since early last year, they have risen by 100 basis points since financial markets took fright at some of the spending plans unveiled by Mr Goran Persson, the prime minister in waiting

in mid-January.

There is also a question of whether the market can digest such huge amounts of stock given the likelihood that many of the banks' shareholders will to want to dump their property holdings quickly. Foreigners are unlikely to be big buyers of the shares, so it will largely be left to domestic institutions to make the running:

investors who do take the plunge will be gaining states in properties throughout Europe, as well as sizeable holdings in the main Swedish population centres of Stockholm, Gothenburg and Malmo. SE-Banken has almost half its portfolio sited outside the country, mainly in Belging ... Luxembourg, Germany as Portugal, Handelsbanken has part of its portfolio in London. What is already clear is that

the launch of these property groups will trigger a broad restructuring in the Swedish real estate market. That is winy their financial strength at launch will be as important as the fact of the creation. because it will start to mark out potential predators from their targets. "These property. companies weren't created as logical entities, says Mr. Afrell. "There's going to be a lot of activity before we start to see well-structured, natural properties directly. Had they property groups in Sweden."

Chicago exchanges to list Italy targets issue at Japanese

futures and options contracts it plans to list. Emerging-market products already traded on the CBOE include options on 18 American depository receipts and American depository shares un Latin American companies: a Daiwa has been appointed Mexico index (MEX) composed of 10 US-listed Mexican ADRs,

Argentina, Brazil, Chile and CME last week said it planned to list futures and futures options on four individual Brady bond issues, includ-

ADSs and country funds; and

the Latin-15 Index which

tracks leading equities in

ing Mexican par bonds. Its competitor, the Chicago Board of Trade, this week said that It, too, plans to list Brady bond instruments and hopes to launch its Mexican Brady Bond Index futures and options contracts on March 1.

By Conner Middelmann

Put off by recent volatility in the US dollar and D-Mark bond markets, Italy appears to have shelved plans to issue eurohands in those currencies and yesterday announced plans to issue yen boods instead.

lead manager to a long-dated yen bond which is expected next week. Market talk was of Y150bn to Y250bn of bonds with a maturity of between 12 and 15 years, targeted at Japa- totalling Y925bn.

with Daiwa, which also led its \$2bn dollar offering late last INTERNATIONAL BONDS

year and, together with Nomura and Nikko, its multitranche Y550bn issue in May 1995 - the largest eurobond ever issued. In 1994, Italy launched three euroyen issues

NEW INTERNATIONAL BOND ISSUES

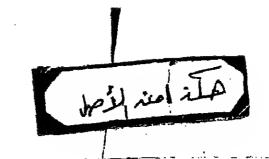
Otherwise, the eurobond market all but stalled yesterday, with jittery government bond markets keeping nervous investors sidelined. The only borrowers to hrave

the dollar sector were floatingrate note issuers: Citicorp launched \$200m of six-year notes callable after three years, with a coupon of Libor plus 15 basis points, while IBJ Australla Bank issned \$151m of unlisted floating-rate notes in two tranches which were largely pre-placed.

Bor	TOWER	Amount	Coupon %	Price	Maturity	Fees %	Spread	Book-runner		- }
	DOLLARS									•
Citie	corptalt	200	(a1)	99.859R	Sep 2002	0.20R		Citibank Intern	ariora.	•
	Austraka Bankisht*	100	(b)	100.085	May 1997	0.10		BJ Interrepora	35	1
IBJ	Australia Bank(s);**	51	(D)	100.085	Mar 1997	0.10	•	IBJ Internation	al .	į
sw	SS FRANCS									— į
	abe Finance(c)	100	3.75	101.875	Dec 2000	2.00	-	Creck Susse		1
	s Power Finance(s)+	100	3.125	101.35	Dec 1998	1.50		Credit Strisse		
GEC	C*	100	2.75	101,30	Apr 1998	1.125		Memil Lynch C	ADCE: M	45
Floa	il terms, non-callable unles ting-rate note. R: fixed re- r +5,55p, c) Fungible with	-offer price; fee	s ahown a	t re-offer le	wel a) Callat	de on 12/				
	UND FUTURES OPTIONS	(LIFFE) DM25	0,000 poin	ts of 100%			FT-AC	TUARIES F	IXED	INTER
Strik		ALLS	us Ma		PUTS	-haz	Price India	es	Thu Feb 22	Day's

WORLD BOND PRICES	The same of the sa	
BENCHMARK GOVERNMENT BONDS	BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Date Price change Yield ago ago	Strike — CALLS — PUTS — PUTS — PHICE May Apr May Juni	Price Indices Thu Day's Wed Accrued ad adj. — Low coupon yield — Medium coupon yield — High coupon yield — UK Gifts Feb 22 change % Feb 21 interest yid Feb 22 Feb 21 Yr, ago Feb 22 Feb 21 Yr, ago Feb 22 Feb 21 Yr, ago
Australia 10.000 02/06 109,1400 +0.420 8.62 8.09 8.18	9700 0,30 0.58 0.82 0,99 0 1,09 1.33 1,50	1 Up to 5 years (22) 122.11 -6.54 122.58 1.96 1.58 5 yrs 7.24 7.20 8.52 7.28 7.25 8.55 7.36 7.32 8.70
Austria 5.125 02/06 97,0000 40,380 6.54 6.43 6.21 Belgium 7.000 05/06 101,1300 +0,060 6.84 6.86 8.43	9750 0 0.39 0.62 0.78 0.20 1,40 1,63 1,79 9900 0 0.25 0.46 0.59 0.70 1,76 1.97 2.10	2 5-15 years (21) 147.73 -0.25 148.10 2.82 0.78 15 yrs 8.07 8.02 8.46 8.07 8.02 8.57 8.17 8.11 8.78 3 Over 15 years (5) 161.37 -0.48 162.14 2.06 2.41 20 yrs 8.17 8.13 8.43 8.14 8.08 8.57 8.24 8.18 8.66
Ganada 8.750 12/05 108.8200 +0.250 7.45 7.05 7.13 Denmark 8.000 03/06 102.8800 +0.560 7.58 7.34 7.01	Est, vol. total, Calls 37973 Puts 25977, Previous day's open std., Calls 370754 Puts 249152	4 Insideernables (6) 184-27 -C.37 185,16 3.36 0.00 Insid.† 8,25 8,22 8,50
France STAN 7,000 10/00 104,7500 - 5,79 5,55 5,50 OAT 7,250 03/06 103,8300 -0.040 6,71 6,56 6,48	Italy	5 All stocks (57) 142.51 -C.22 142.99 2.41 1.37
Germany Burd 6,000 01/06 97,4000 -0,200 6.36 6.14 5.86 freland 8,000 08/08 101,2000 -0,150 7,81 7,56 7,39	NOTIONAL ITALIAN GOYT, BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%	Index-linked Feb 22 Feb 21 Yr, ago Feb 22 Feb 21 Yr, ago
Italy 10.500 09/05 100.2000 +0.820 10.47† 10.47 10.30	Open Sett price Change High Low Est. vol Open int.	8 Up to 5 years (1) 197.27 -C.04 197.20 2.89 0.00 Up to 5 yrs 2.58 2.59 3.63 1.25 1.26 2.25 7 Over 5 years (11) 186.39 -0.25 185.51 0.95 0.68 Over 5 yrs 3.64 3.66 3.68 3.44 3.45 3.67
Japan No 129 6,400 03/00 116,1980 +0,020 2.07 1.97 1.75 No 174 4,500 09/04 109,7750 - 3.15 3.05 2.99	Mar 109.01 108.76 -0.21 109.42 108.58 53795 51208 Jun 106.50 108.39 -0.21 108.90 108.30 956 5361	8 All stocks (12) 196.50 -3.25 136.04 1.00 0.62
Netherlands 6,000 01/06 97,5000 +0,180 6.35 6.19 5.84 Portugal 11.875 02/05 112,5000 -0,700 8.72 9.49 9,47	ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (UFFE) Licazoom 100ths of 100%	Average gross recomption yields are shown above. Coupon Bards: Low 0%-7%5; Medium 8%-10%%; High: 11% and over, † Flat yield, yid Year to clare.
Spain 10.150 01/06 101.7900 +0.510 8.84 9.65 9.41 Sweden 8.000 02/05 82,5490 +0.480 8.91 8.86 8.18	Strike CALLS PUTS	
UK Gills 8.000 12/00 103-14 -4/32 7.13 6.92 6.80 7.500 12/06 97-13 -12/32 7.86 7.67 7.40	Price Jun Sep Jun Sep 10800 2.36 3.01 1.67 2.99	The property typicals and the same and the s
9,000 10/09 107-31 -13/32 7,98 7,87 7,55 US Treesury 5,625 02/06 97-25 +3/32 5,82 5,65 5,76	10850 2.08 2.77 2.18 3.25	FT FIXED INTEREST INDICES Feb 22 Feb 21 Feb 20 Feb 19 Feb 16 Yr ago High' Low' Feb 22 Feb 20 Feb 18 Feb 16 Feb 15
6.000 02/26 95-10 -3/32 6.35 6.10 6.17	10900 1.83 2.55 2.44 3.53 Est. vol. total, Calls 2701 Puts 2743. Provious day's open int., Calls 41250 Puts 36017	Govt. Secs. (UK) 93.65 93.63 92.27 93.47 94.31 91.40 96.33 90.22 Gift Edged barneins 110.4 100.1 95.7 85.1 502.2
London closing, "New York mid-day Yields: Local market standard.	Spain	Fixed interest 112.35 112.27 112.27 112.27 112.23 112.73 109.82 115.23 109.77 5-day average 98.7 97.2 96.4 96.6 101.2 107.19 107
† Gross (including withholding tar at 12.5 per cent psyable by nonvesidents) Pricest US, UK in 32rds, others in decimal	MOTIONAL SPANISH BOND FUTURES (MEFF)	10/26 and Fixed Interest 1928. SE schirty indices reheard 1974.
US INTEREST RATES	Open Sett price Change High Low Est. vol. Open int.	
Latest Treasury Bills and Bond Yields	Mor 95.30 94.94 -0.46 95.52 94.87 67,001 45,911 Jun 94.95 94.52 -0.33 94.95 94,60 655 3,465	FT/ISMA INTERNATIONAL BOND SERVICE
One month 4.81 Two year 5.08	UK	Listed are the latest international bories for which there is an adequate secondary market. Lightst prices at 7:05 pm ox February 22
Printe rate 84 Two month 4.94 Three year 5.22 Broker loan rate 7 Three month 4.92 Five year 5.66	NOTIONAL UK GILT FUTURES (LIFFE)* 250,000 32nds of 100%	Insued Bid Offer Chg. Yield Insued Bid Offer Chg. Yield Insued Bid Offer Chg. Yield
Fed.hunds at Intervention 51 Ste powrith 4.87 10-year 5.91 Fed.hunds at Intervention 51 Ste powrith 4.89 30-year 6.34	Open Sett price Change High Low Est. vol. Open Int. Mar 108-01 107-18 -0-13 108-08 107-10 77616 127420	U.S. DOLLAR STRAGERTS Sweden 8 97
	Jun 107-10 106-28 -0-11 107-11 106-25 8355 8697	ABM Armo Bank 74, 05
	Strike CALLS PUTS	Abarta Province 79 88 1000 1054 1052 5.47 World Bank 57 03 3000 98 984 +4 6.20 E8 8/03 £ 1000 1002 1005 7.30
DAME FUTURES AND STREET	Price Mar Apr May Jun Mar Apr May Jun	Asian Dev Bank 64 US
BOND FUTURES AND OPTIONS	107 0-36 0-59 1-22 1-43 0 1-03 1-30 1-51 106 0 0-33 0-58 1-14 0-28 1-41 2-02 2-22	Butten-Whent L-Fin 8-1 00 1000 108-1 108-2 +15 5.72 Asian Dev Barric 016 500 34-3 5 +14 5.44 HSSC Hottings 11.69 02 £ 153 1155 116 -14 8.42 Barric Next Georgestran 7.99 1000 105-3 105-2 +19 5.58 Assistra 6-1 00 1000 106-3 115-
	109 0 0-17 0-37 0-55 1-28 2-25 2-45 2-63 Est. vol. total, Calls 2871 Puls 518. Provious day's open int., Calls 65000 Puls 57454	Bayer Vershrakit 8 ¹⁹ , 00 500 103 103 ¹ 4 1 5.79 Council Europe 4 ¹ 98 550 103 ¹ 4 2.78 Japan Dav 31.7 00.5 200 98 ¹ 3, 99 ¹ 4 7.31
France		BFCE 74 87 150 1629 1629 5.33 EB 34 89 1000 1624 103 41 2.78 Critario 111 01 E 1634 1135 7.81
Open Satt price Change High Low Est. vol. Open Int.	ECU BOND FUTURES (MATIF) ECU100,000	Bitish Gas 0.21 1500 142 144 7.50 Friend 74, 99 300 1124 113 44 3.56 Secon Ford 115 99 2 150 1115 1115 745
Mar 120.46 120.50 +0.40 120.72 120.42 138,059 145,964	Open Sett price Change High Low Est. vol. Open Int.	Caracta 6½ 05
km 120.50 120.56 +0.44 120.76 120.46 4,778 21,799 Sep 118.40 118.44 +0.44 118.52 116.40 102 2,348	Mar 89.10 89.28 +0.40 89.44 89.10 1,465 7,784	Cheung Kong Fin 5½ 98 500 973 98 661 Ordano 64 08 400 1084 110 +4 4,65 World Bank 12½ 97 NZS 20 1054 1054 8.59
LONG TERM FRENCH BOND OPTIONS (MATIF)		Greate Formary 51, 69 500 11074 11076 +13 5.55 SNCF 7 04 450 11612 11774 +12 4.63 Bioc de France 61, 22 FF7 2000 11316 11356 +12 7.58
Strike	US	East Japan Reiney 85 04 800 1013 1015 11 6.40 World Bank 0.21 700 25 25 11 5.51
119 1.60 2.53 - 0.08 0.94 -	US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100% Open Latest Change High Low Set vol. Open int.	EB 9 ¹⁴ 97 1000 108 ³ ₈ 108 ⁵ ₈ 5.27 Seb 9 ¹⁴ 97 1000 108 ³ ₈ 108 ⁵ ₈ 108 ⁵ ₈ 5.27 Seb 9 ¹⁴ 97 1000 108 ³ ₈ 108 ⁵ ₈ 108 ⁵ ₈ 108 ⁵ ₈ 108 ⁵ 8 108
120 0.80 1.90 - 0.28 1.30 - 121 0.24 1.37 - 0.75 1.74 -	Mar 116-04 116-22 +0-18 116-25 116-04 488,849 325,145	ESC OF FIRST SEE - 200 100-1 1
122 0.05 0.96 - 1.55 2.30 - 123 0.01 0.58 - 2.87	Jun 115-20 116-07 +0-18 116-09 115-20 27,738 96,976 Sep - 115-21 +0-18 841 8.813	Broat Dev Corp 90: 99
Est. vol. total. Calls 38,690 Puts 25,999 , Previous day's open int., Calle 215,863 Puts 213,518.		Federal Nati Mort 7/40 04 1500 1083 +1 6.24 5-1m Bank Japan 43 03 10500 1073 1074 323 Carada 4 89 2000 99.51 99.58 50557
Germany	Japan Motional Long Term Japanese Govt. Bond Futures	Food Motor Credit Pky 98 1500 101-2 101-3 42 5.53 kely 31 ₂ 01 200000 102-3 102-5 3.01 Commercials C/S Fin -1 ₂ 98 750 99.78 5.7500
III NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%	(LIFFE) Y100m 100ths of 100%	N France 54 96 650 993 895 549 Japan Dev Ek 5 99 100000 1104 1105 206 Cedit Lyonnak 0.30 88 1250 100.05 100.15 5244
Open Sett price Change High Low Est. vol Open Int. Mar 97.40 97.30 -0.08 97.61 97.16 222937 219888	Open Close Change High Low Est vol Open Int. Mar 118.77 118.97 118.74 1250 0	tell Finance 54, 99
Mar 97.40 97.30 -0.08 97.51 97.16 232937 219888 Jun 98.58 98.49 -0.09 98.77 96.40 18356 98460	Jun 117.29 117.50 117.25 3255 0	Lay 60 20 20 20 20 20 20 20 20 20 20 20 20 20
THE OHATS PRINTS	* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.	Japan Dev Ek 8-1/2 01 500 110-1/4 111 +1/2 5.83 World Bank 5-1/4 02 250000 113-1/2 12 2.55 Finland 1-2 99 1500 99.75 99.02 5.1895 Korea Elec Power 6-1/2 03 1350 98-1/4 8.69 500 100-1/2 10
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. Visit 27 mark		Ontanto 71/2 03 3000 105% 105% 8.29 Genfirence Lux 91/2 93 LF7 1000 108% 8.29 Genfirence Lux 91/2 93 LF7
Yeld 22 week	S2 ereck	Peragui St. 03
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MARKETS REPORT

Markets on hold ahead of German M3 release

By Philip Gawith

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..... . 7 ... Go take the 31072300 *572.007 2588 Currency markets had a fairly quiet day yesterday ahead of the expected release today of the German M3 data for Janu-

The main trading theme over the past two weeks has been the reversal in Japanese and German interest rate expectations, and the M3 figures should serve either to confirm or reverse this trend.

The market has been primed to expect a high figure, and anything short of the wholly exceptional will be taken as favouring the cause of lower rates in Europe, and bence be positive for the dollar.

The dollar yesterday performed steadily, closing at Y105.02, from Y105.15 and at DM1.4516, from DM1.4513. For the third day in succession, the Bank of Japan was actively supporting the dollar during

Asian trading. Sterling had a quiet day, trading in the dollar's wake. It

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Norway Portugal

SDRT

finished at DM2.2402, from dollar/yen stabls, and private DM2.2415, and at \$1.5433, from **\$1**.5445.

European currencies were quiet ahead of German M3. The Swedish krona continued its recent bounce back, finishing at SKr4.647 against the D-Mark, from SKr4.665.

The recent assault on the South African rand abated yesterday with the rand closing at R3.89 against the dollar, from R3.965 on Wednesday.

For most of this week, the dollar/yen rate, and the efforts of the BOJ to boost the dollar have occupied centre stage. Mr Jos Prendergast, currency strategist at Merrill Lynch in London said there was "an ongoing tension between central banks that want to keep

E Pode	ed in New York	k
Feb 22	Latest	Prev. close
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-0.0522 005 - 227

-0.0012 425 - 436 -0.0021 147 - 160 -0.01 215 - 238

-0.0106 452 - 486 -0.0102 297 - 360 -0.0671 683 - 722 +0.0106 935 - 037

+0.0034

162.077 -0.327 979 - 176 3.9393 -0.002 374 - 412 2.2872 +0.0033 856 - 888 40.3882 -0.0314 979 - 784

- 200 - 213

market positions which surveys show to be heavily underweight the yen.'

One country where a stronger dollar would be welcome is Germany. Ms Alison Cottrell, analyst at Paine Webber in London, predicts that anything short of an aberrational M3 figure - and the market has been softened up to expect as high as 16 per cent - will be taken by the market as an excuse for renewed interest rate optimism, of the sort seen in late January when the Bundesbank allowed the German repo rate

to drop sharply.
In the short run this is likely to be D-Mark supportive, if it encourages huying of D-Mark assets. Further out, it could support the dollar and other European currencies, if it is seen as re-opening the path towards lower interest rates. Mr Stephen Lewis of the London Bond Broking com-

would watch the market's

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policymakers in Frankfurt will not risk sacrificing their own credibility in the marketplace, about their strategy to be." Mr Lewis believes that the pany said the Bundesbank

Jan:

Source: FT Exter

Against the Yen (V per 5)

however miaplaced thay believe the market's doubts

Bundesbank's main priority is

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240.360 1.5882 1589.50

29.8600 1.6260

6.3434

6.7463 1,1825 1,5433 1,2644

0.9699 0.9619 1.3754

7.5430

7,7330 38,5650 3,1093

105,020

2,5525 1,4819

26,1700

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

- 400 - 800 +0.0015 130 - 160 -0.0011 063 - 116 -0.0043 870 - 980 +0.0003 512 - 519

+0.505 110 - 610 -0.0021 872 - 891 -3.6 900 - 000

+0.002 257 - 262 +0.0057 405 - 463 -0.245 020 - 120 -0.03 250 - 330 -0.0266 413 - 513

-0.002 820 - 830 -0.0012 428 - 438 -0.001 641 - 646

- 998 - 998 -0,0006 816 - 820 -0,0055 751 - 757 +0,008 390 - 470

-0.0068 263 - 271 -0.0008 326 - 335 -0.015 500 - 800 +0.0092 070 - 118

-0.13 990 - 050 +0.0007 521 - 529 +0.0033 815 - 826

response carefully. "This is

because long-term interest

rates are the bottom line of the

Bundesbank's endeavours. The

to lower long-term rates. The challenge now is to calm marit can once more start cutting short-rates in a manner consistant with lower long-term

CURRENCIES AND MONEY

■ Traders in the rand said very little business was done in either Johannesburg or London, suggesting the currency's travails may be over for now. Mr Tom Chenoweth, chief foreign exchange dealer at Stan-dard Bank in London, said that if the market made it through today unscathed (it was last Friday when the rand's slide started), attention would shift to the budget next month, when an announcement on the relaxation of exchange controls

might be expected. He predicted a R3.90/R4.00 trading range, saying that investors might well sell into any rally below R3.90.

Economists at Citibank in London offered a more pessi mistic view, "Looking at previ-

29,9300 29,8390

5.6283 5.6065 4.5331 4.4878 5.0121 4.9920 1.4571 1.4500

0.9835 0.9816 1.3770 1,3751 7.5440 7.5390

1,3271

5.6111 4.5045 4.9934 1,4495

1.4571 1.4500 1.4495 1.7 1.4449
240.870 238.990 241.935 -7.9 245.185
1.5918 1.5841 1.5885 -0.2 1.5887.6
1579.89 1586.20 1575.85 -4.6 1587.6
29.9300 29.8390 29.808 2.1 29.72
1.6354 1.8239 1.5229 2.3 1.8164
6.3775 6.2235 6.3411 0.4 6.3329
152.280 151.060 151.445 -3.0 152.216
122.990 122.200 122.685 -3.9 123.42
1.7885 1.7612 1.7789 3.7 1.1721
1.5443 1.5407 1.5421 0.9 1.54
1.2657 1.2611 1.2647 -0.3 1.2651

1.3756 -0.1 7.5453 -0.4

ous price action in situations like this (Mexico, Turkey, Italy) it must be expected that, although we may retrace to R3.80 in the short term, this move is not yet over and we will eventually see new highs for the dollar, possibly at R4.18

The market took heart from a UBS research report saying the rand should average R3.90/ UBS's utterances are now closely watched following an earlier report, apparently endorsed by Mr Chris Stals, the Reserve Bank governor, saying the rand was 7-10 per cent overvalued, which added fuel to the correction.

Feb 22	£	S
Czech Ap	41.5754 - 41.6178	26.9480 - 26.958
Hengary	217.612 - 217.830	141.050 - 141.10
	4637.40 - 4626.40	3000.00 - 3000.0
Kanwait	0.4605 · 0.4624	0.2985 - 0.2995
Potand.	3.9419 - 3.9598	25550 · 25650
Aussia	7390.17 - 7390.01	4787 00 · 4790 0
UAE	5,6688 - 5,6702	3.5724 - 3.5729

-8.0 259.86

1.1482 1.5285 1.2657

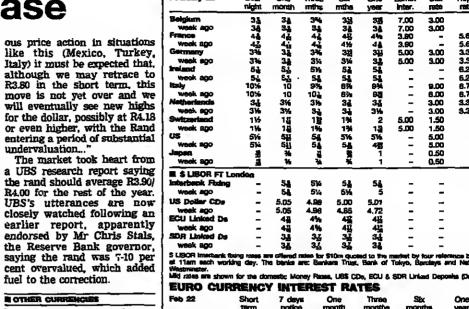
3.5 0.6 -0.2

29.723

1,3757

7,7355 37.02

3.135 3.0996 105.610 104.670 104.585 5.0 103.785 4.7 100,715 4.1 2.5576 2.5516 2.5534 -0.4 2.5595 -1.1 2.563 -1.2 1.4826 1.4809 1.485 -2.5 1.4908 -2.4 1.5154 -2.3

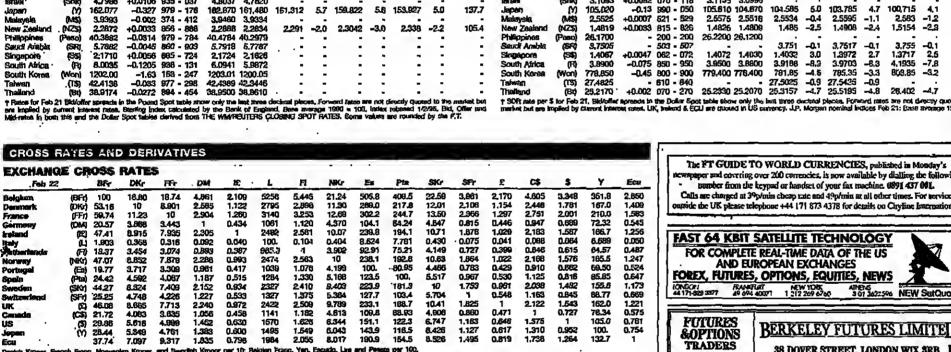


WORLD INTEREST RATES

MONEY RATES

Feb 22			days dice	One	Three	Six months	One
Belgian F	rano 3)3	- 32 313	- 3/2 3	1/6 - 3/3	3/4 - 3/6	3/6 - 311	312 - 313
Danish Kr	one 41	2 - 4 4 3		2 - 42	4弦 - 4锰	463 - 412	413 · 413
D-Mark				- 3 提	3,4 - 3,4	3,4 3,2	3,2 - 33
Dutch Gu				16 - 3A	3.% - 3.6	32 - 34	34 - 34
French Fr				44	412 - 413	412 - 412	41 - 44
Portugues				753	83 - 733	84 - 73	833 · 753
Spenish F				12 - 8 g	837 · 833	813 - 813	8월 - 8년
Starting				6.	65 - 65	612 - 616	632 - 632
Swiss Fra				14 - 14	13 - 15	178 - 174	2) 1
Can. Dolla	w 54			- 5 ¹ 2	514 - 51 ₂	54 54	5,4 - 5,6
US Dollar				51	54 - 54	518 - 518	5.6 - 5
Italian Lira		- 10% 10%		0 ¹ a · 10	10 - 9%	며, - 매	911 - 915
Yen			. 4	4	34 - 58	13 - B	106 - 18
Asian \$Si				웹 - 1년	2 ¹ 2 - 2	23 - 24	234 . 258
Short herm		for the US D	ofer and Y URIES (M	'en, ochens: ATIF) Peris	two days' no interbenk	cice. offered rate ((FFr5m)
	Open	Satt price	Change	High	Low	Est. vol	Open int.
Mar	95.28	05.37	+0.13	85.40	95.27	39,238	50,508
Jun	95.30	95.42	+0.14	95.44	95,30	24,885	55,624
Sep	95.30	95.41	+0.13	95.43	95.30	6.007	48,280
	Open	Sett price	Change		Low	Eat. vol	Open int
Mar	98.57	96.57	+0.01	99.80	96.55	25590	162931
Jun	96.60	96.60	+0.01	96.64	96.58	35687	175195
Sep	96.42	96.43	+0.02	96.48	96.42	31100	182321
Dec	96.12	99.15	+0.05	95.18	96.12	35901	156138
		EUROLIRA					
	Open	Sett price	Change	High	Low	Est, vol	Open int.
Mar	89.99	90.05	+0.03	90.15	69.99	11383	37325
Jun	90,41	90.50	+0.05	90.58	90.41	10512	29855
Sep	90.89	90.90	+0.09	90.88	88,09	3616	19832
Dec	90.95	90.98	+0.08	91.09	90.95	1737	11762
		EURO SWIS					
	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.18	98.18	+0.03	98.20	98.14	4291	22122
lun.	97,99	98.05	+0.05	98,07	97,99	4798	21226
Sep	97.82	97.85	+0.07	87.86	97.82	2610	12424
Dec	87,50	97.54	+0.08	97,58	97,50	1002	8594
		ECU FUTUR					
	Ореп	Sett price	Change	High	Low	Est. vol	Open int.

82.2 95.23 95,32 95,26 95,05 LIFFE futures also tracked on APT EUROLINA OPTIONS (LIFE) L1000m points of 100



EL D-MARK FUTURES (MM) DM 125,000 per DM Latest Change High 0,6884 -0.0023 0,6910 0,6947 -0.0019 0,6940 Open 0.9556 0.9620 Est, vol Open int. 0.6381 0.6920 EL STERLING PUTURES (IMM) 262,500 per 2 -0,0013 0,8480 -0,0004 0,8546 +0,0006 0,8614 UK INTEREST RATES LONDON MONEY RATES 1-9 3-6 month months

Price	Mar	Jun	Sep	DANS	Jul.	
9375 -	0.16 .	0.32	0.39	0.04	0.11	0.29
9400 9400	0.05	0.17	0.26	0,15	0.21	0.41
0.40E	•	. 0.08	0.17	0.35	0.87	0.57
P420	Cells 11668 Pu	- 0400 5m-4	www.char/s.com	o lot. Cells	153282 Puts 15	4939
Est. vol. total,	Cells 11668 PV	of Sector Laster	DOG COLY & COC			
		-				
	<u> </u>					
		BASE LI	INDING	RATES	5	
<u> </u>						- %
	%			*		
Adam & Co	трепу 82		Lawrie	<u>صو</u> ـــ	Royal Bl. of Sox	meno 62
Alled Trust	: Bank6.2	5 Exeter	Bank Limited	(-25)	Singer & Friedl	ander 6.2
AIR Pank	62	5 Financi	al & Gen Ban	k/.00	Smith & Williams	n Sect. 5.2
Witness Anni	bacher 62	5 e Robert	Fleming & Co		TSB	82
Rank N Ba	roda 6.2	5 Girobar	k	6.25	United Bank of	Kumert 62
Bones Bills	ao Vizcaya 62	25 CALICINE	es Mahon	6.25	Unity Trust Ban	k Pic 62
Book of Co	ргиз 62	S Habib B	tank AG Zunk	h.6.25	Western Trust .	6.2
DEKU U	and 82	N alterate	es Bank	6.25	Whiteaway Lak	12w 6.2
CHKGIB	A		e & Gen Inv i		Yorkshire Bank	6.2
genk of Ind	la62		19.6d			
Bank of Sc	otland 8.2		re & Co	625	Members of L	
Barctavs B	FK 02		@ & CAJ	1 6 05	MOULDOCK OF L	
Park Plant M	6ri£ant62	5 Horoki	ng & Shangh	BL 0420	kwestment 9	Bush.
@Rown Ship	ley & Collid 62	5 Judian H	lodoe Bank	6,25	Association	
Colone to All		S SI arrowh	i.intech & St	ns 625	in actoristicati	OL:
Charles 14	Danis 22		Benk	6.25		
- Chyddeddiaid	Bank 8.2		(Servicus)	8.25		
The Co-opt	erative Bank, 6.2	D Megnis	Bank	205		
. Coutts & Co	62		BRITE	V.E.V		
			**************************************	H 200		

IN THREE MONTH STERLING PUTURES (LIFFE) 2500,000 points of 100%

+0.02 +0.02 +0.04 +0.05 +0.04

N SHORT STEPLING OPTIONS (LIFTE) 2500,000 points of 100%

--- CALLS ----

Open - Sett price Change

93.88 93.90 93.86 93.96 93.83 92.85 93.80 93.82 93.30 93.33

High 93.93 94.01 93.91 93.67 93.37

Low

93.88 93.93 93.82 93.59 93.30

- PUTS

9800 9825 9850

Mar Jun Sap	1.5426 1.5390	1,5426 1,5388 1,5360	+0.0002		1.5394 1.5370 1.5340	6,434 122 3	42,439 10,499 0
					T RATE		
Feb 22			Date Care	Change	% +/- from		ad Div.
Pen 22	Equ ce		net Ecu	on day	COOL LEGIS	% spre	
Spein	162.49	23 1	58.869	-0.026	-2.23	5.70	16
inthoriands				38000.0+	-1.86	5.30	14
Seigium	39.396	30 31	3.7950	+0,0108	-1.53	4.94	11
Limite	13.43		3.2655	+0.0042	-1 <i>-2</i> 9	4,89	9
3ermany	1.9100	07 1.		+0.00057	-1 <i>.2</i> 7	4.67	13
Penmark	7.2858		29395 .	+0.00235	0.11	3.23	-1
octugal	195,79		6.345	-0.327	0.26	3.05	-2
Tance	6.4080			-D.DD888	1,33	1.99	-11
relend	0.7922	14 0.8	18687 +	0.001369	3.34	0.00	-23
NON ERM N	AEMBERS						
Breece	292,88	87 S	2.360	+0.428	6.66	-3.11	-
taly	2100.	15 21	39.12	-1.85	-3.16	8.74	-
			42310 +	0.000791	7.08	-3.49	-
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CALLS - May 0.20 0.08 0.02

Apr 0.15 0.05 0.01

0,22 0,08 0,02

Mer 0.04 0.20 0.44

0.04 0.16 0.34

0.19 0.06

May 0.10 0.23 0.42

0,39 0.53 0.71

High 0.9568 0.9694

-0.0018 -0.0031

0.9551 0.9348 0.9730

Low

0.9500 0.9620 0.9715

21,451 235 6

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THE TAX FREE WAY TO PLAY THE MARKETS' We are the leaders in financial and com 72 hours. Up-to-date pates Segs-9pm, Page 600 Telesast CH4. For brockstre and account application form call 0171, 283 3667. * Subject to use two

GLOBAL ASSETS FUND ment à Capital Variabk 6 avenue Emile Reuter, L-2420 Luxembourg RC Luxembourg No 3 29263 NOTICE TO SHAREHODLERS

Shareholders are hereby notified of the following changes to be made to Global Assets Fund. Change of custodian The Find's custodian will change from Banque international Luxembourg SA to Chase Manhattan Bank Luxembourg SA, with effect from 10 February 1996.

• Changes to currency denominations for most sub-fames.

Most of the Global Assets Fund sub-funds are currently denominated in ECU. As from 25 March 1996, these denominations will be changed to currencies that are more closely allied to those of the assets in which the aub-funds invest, as follows:

Sub-Fund	Concor. Denomination	New Denomination
Equity Funds		
North American	ECU	USO
Japanese	ECU ·	JPY
Japanese Smaller Companies	USD	JPY
European	ECU	DEM
United Kingdom	ECU	G3P
Benelux	ECU	NLG
Pacific Basin	ECU	USO
Latin America	USO	USO
Global Managed	ECU	' USO
Bond Funds		V2-
International	USO	USO
European	ECU	DEM
US Dollar	ECU	USO
Deutschmark	ECU	DEM
Japanese Yen	ECU	JPY
Sterling	ECU	GBP
Liquid Assets Funds		-
US Dollars	ECU	USO
Deutschmark	ECU	DEM
Japanese Yen	BCU	JPY
Sterling	ECU	G3P
Belgian Franc	SEE	are

 Change of pricing basis As present there are two prices quoted for each Global Assets Fund sub-fund, a buying price and a selling price. The selling (bid) price broadly represents the underlying Net Asset Value (NAV) of the aub-fund's investments and other assets. The buying rofferi price is the bid price plus the initial charge and a rounding-up adju As from 25 March 1996 a single price will be quoted only. This will be the setting price at which shares can usually be redeemed and is based on the NAV.

Change of name for Global Managed Fund As from 25 March 1996, the name of this sub-fund will be changed to inter Equity Fund. The new name reflects a change of investment policy to an al

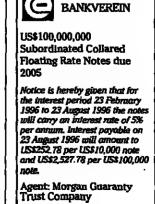
Further details of the above changes may be obtained from our Client Service Centre in Luxembourg (relephone ++352.47 17 64). Shareholders are hereby informed that if they do not agree with the proposed amendments as described hereabove, they have the right in request the redemption of their shares by Global Assets Fund without paying any charges, during the 30 days immediately following the day of publication of this notice. 3y order of the Board of Directors Luxembourg, 16 February 1996



U.S. \$400,000,000

Hoeting Rate Notes Due August 1998
In accordance with the terms and
conditions of the Notes, the interest
rate for the period 28th February, 1996
to 28th May, 1996 has been fixed
at 5.5196378 per annum. The Interest
payable on 28th May, 1996 will be
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1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 **ENGINEERING** BREWERIES, PUBS & REST 840 Castalas Salas Sa Salas Salas Salas Salas Salas Salas Salas Salas Sa Salas Sa Sa | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 **INVESTMENT TRUSTS** Approved by as seemed and approved by a series of the seri | 1971 | 1972 | 1973 | 1974 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 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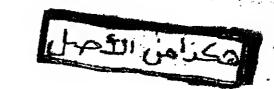
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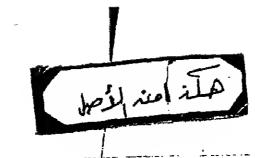
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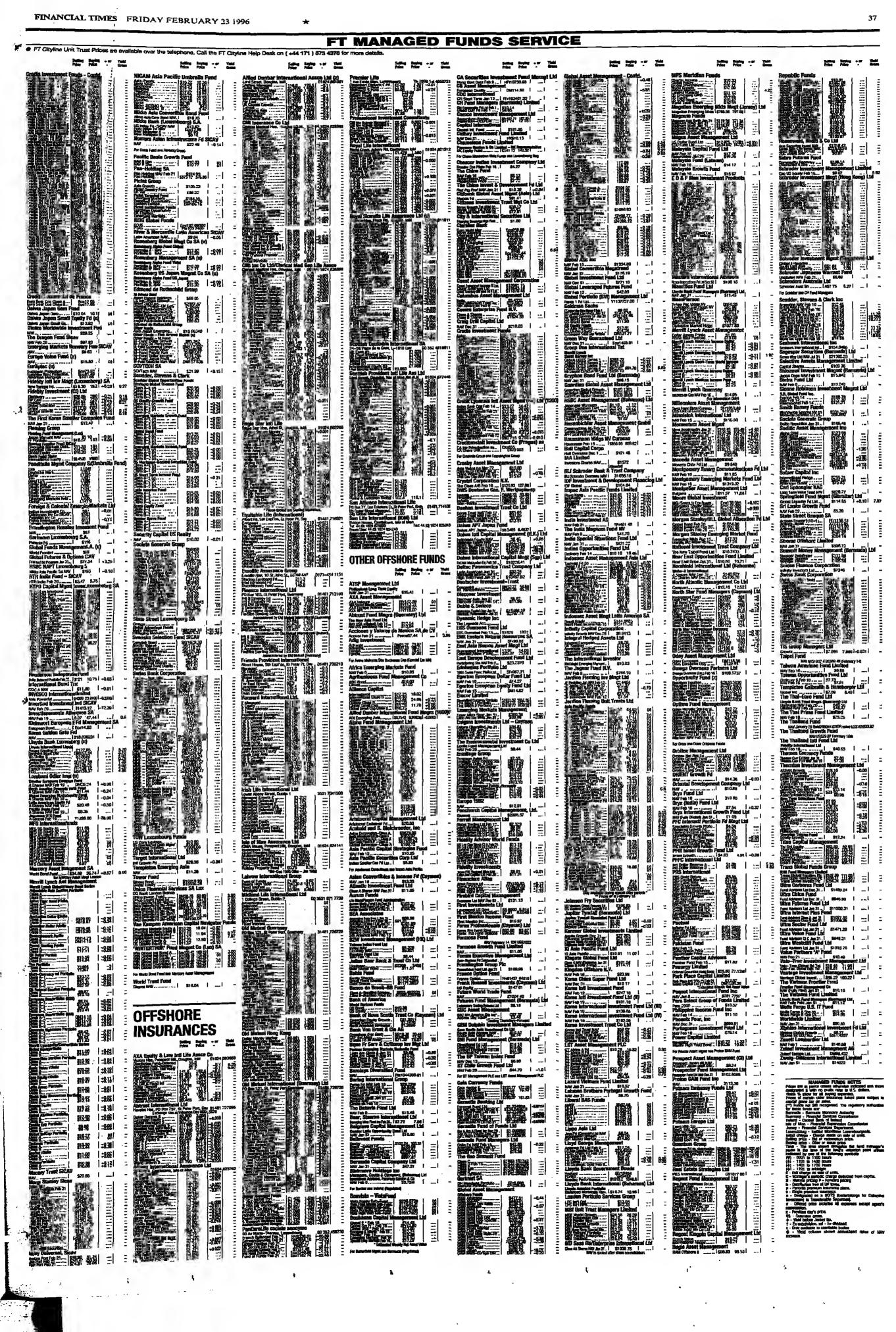
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LONDON STOCK EXCHANGE

Tentative equities wary of latest slide in gilts

UK Stock Market Editor

A worrying slide in gilts and bunds yesterday took some of the gloss off an otherwise comforting performance by UK equities.

The retreat in gilts was attributed by dealers to a similar move by German bunds, in the wake of a disappointing bund auction and ahead of expected German January M3 money supply numbers.

Gilts aside, it was a highly respectable showing by London, with the FT-SE 100 index shrugging off small bouts of selling in mid-morning and gradually building on Wednesday's good rally to end the

session 14.4 higher at 3,740.0, making a two-day gain of 25.4.

Second-line stocks were also well supported, with some excellent performances by a handful of housebuilders, insurances and a number of individual stocks driving the FT-SE Mid 250 up 15.7 to 4,197.7. That left the index within 2.2 points of its all-time high and some traders said it was set to race through 4,200.

Once again, it was the US that provided the main impetus behind the London market. The Dow Jones Industrial Average jumped 57 points overnight, while bonds also gained ground, and gave a solid foundation to all European markets.

Wall Street's good showing came

as that market reassessed the comments made by Mr Alan Greenspan in his congressional testimony.

The Footsie began the session on a quietly firm note, up around 6 points, but quickly ran into pockets of selling pressure. This was said to have reflected at least two trading programmes, thought to have been weighted on the sell side and which saw the Footsie dip into negative territory in mid-morning.

Once the programmes were absorbed, however, the market began to gather momentum, with the pace accelerating when US markets opened. The Dow jumped some 50 points within the first 45 minutes, triggering the mechanisms

which restrict program trading, before sliding back and then moving ahead again to post a 42-point rise at 6pm London time.

Traders were concerned with the poor showing by gilts and bunds. and the UK market's reluctance to follow Wall Street's latest upsurge. The 3,700 level on the Footsie is

undoubtedly a floor, but it does seem that the market is unusually nervous about gilts and bonds in general," remarked the head trader at one of the top UK securities

Hanson took top place in the FT-SE 100 league and was the second-heaviest traded stock in the index in the wake of exceptionally

war have been bubbling ever since Bradford & Bingley

announced, at the end of Janu-

ary, a mortgage rate cut and a

plan to return £50m a year to

savers and borrowers. The wor-

ries returned yesterday and Abbey National fell 6 to 586p,

while Lloyds TSB slipped 4 to

Among food retailers, Asda

Group hardened 21/2 to 1061/2p,

with James Capel said to be

positive on the stock. However,

the same broker was said to

have taken the opposite stance

on discount retailer Kwik

Save. It was also reported to have downgraded profit expec-

tations at Kwik Save, reducing

the current year figure by

£10m to £100m, and the follow-

J. Sainsbury firmed 11 to 385p in trade of 3.4m, with

Cazenove said to have urged

investors to buy the shares.

There was a two-way pull in

rival Tesco, where the shares

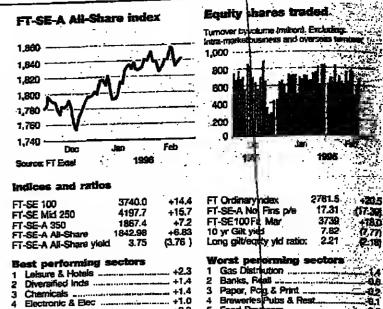
ing year's by £17m to £102m.

323p and Barclays 7 to 792p.

heavy buying interest from the US. Corporate results were behind exceptionally strong showings by Rank Organisation and ICL while Sun Alliance was being aggressively bought ahead of its forthcoming preliminary figures.

Banks, on the other hand, suffered from a second dose of increased competition in the mortgage market, after the Nationwide Building Society said that it was entting its lending rates and increasing its savings rates, in a similar move to that by Bradford & Bingley at the end of last month.

Turnover at 6pm totalled 739.3m shares. Customer husiness on Wednesday was valued at £2.1bn.



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E EURO STYLE FT-SE 100 DIDEX OPTION (LIFFE) \$10 or full index point

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TRADNG VOLUME

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MARKET REPORTERS:

FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full in

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FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per

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Buyers return to Hanson

Having turned against Hanson at the end of January, the City swung hack hehind the international conglomerate yesterday, pushing the shares to the top of the Fcotsie rankings in heavy volume.

The announcement that the bead of Hanson's tobacco division, Imperial Tobacco, had left to join shareholder pressure organisation Brooke Group set hearts racing among sector watchers. Some analysts were said to be putting two and two together and coming up with more than four.

The hottest talk centred on a possible change of ownership for Imperial, with best bets on the asking price starting at £3bn. Brooke has been attempting for some time to force a break-up of RJR Nabisco, the US foods and tobacco giant,

Hansoo shares, which traded around 210p a month ago, rose 8¼ to 190¼p in above average volume of 24m, flanked by heavy options dealing.

ICI pleases

A raft of heavyweight results produced a collective sigh of relief in the market as earlier intimations of profits warnings failed to materialise.

ICI set the treod with a rise of 25 to 857p after announcing a pre-exceptionals profit of \$951m. The figure was in line with most forecasts but buyers were attracted by the prospect

of some sort of shareholder handout.

Mr Charles Lambert of Merrill Lynch helieves the shares have broken through a decisive barrier and could now climb another 100p.

Then, Royal Insurance delighted analysts with a 33 per cent dividend rise, compared with forecasts of a 25 per cent increase. The shares moved up 8 to 394p before investors began to switch holdings into the next results play in the sector. Royal closed 3 higher at 389p, while Sun Alliance benefited from the switching to end the day 8 up at 389p. But every day must have its dog and, as has been the case so many times, British Gas

took the dubious honour. Like the other two companies. Gas announced figures in line with forecasts. But at a rather downbeat meeting with analysts, there were hints that the scale of the losses from trading would be higger than

the market expected. SGST argued that the figures were primarily historic but that a very real threat to the dividend remained. Gas shares fell 31/2 to 2361/3p with 26m

Medias active

Media shares swung around on a barrage of comment and counter-comment vesterday. MAI, the media investment

group, was up around 30p in early dealings on a press story that Carlton Communications had set up a £1.8bn banking facility and was poised to make a bid.

Then. Carlton yielded to pressure from the Stock Exchange Takeover Panel and

denied it intended to intervene in the proposed merger between MAI and United News & Media. MAI retreated to finish 17 down at 419p, while United rose 12 to 653p.

Subsequently, the spotlight shifted to Mirror Group, where the shares were up 6 at one stage on unusually heavy turnover of 7.8m, fuelled hy speculation that it was Carlton's latest target.

Harassed Carlton executives were said to have been ringing around the market to scotch the second rumour hy arguing that a tie-up would contravene the Broadcasting Act. Having heen down 22 and up 22, Carlton ended the day 7 higher at

Banking stocks were knocked by news that the Nationwide Building Society was cutting its variable mortgage rate and increasing its savings rate.

Worries of a mortgage price FINANCIAL TIMES EQUITY INDICES

	Feb 22	Feb 21	Feb 20	Feb 19	Feb 16	Yr ago	'High	"LCW
Ordinary Share	2761.5	2741.0	2720.5	2734.5	2748.9	2314.3	2788.2	2238.3
Ord, div. yield	3.68	3.87	3.90	3.85	3.83	2.59	4.73	3.76
P/E ratio net	16.13	15.48	16,40	17,06	17,16	16.93	21,33	15.35
P/E ratio nii	15 93	16.27	15,18	16.86	16.94	16,14	22.21	15,17
"For 1995/96, Order Date: 1/7/35,	ary Share	index sinc	e compilat	ion: high :	2788.2 18	ULSE, low	49.4 26.E	40. Base

Ореп	9.00	10.00	11,00	12.00	13.00	14.00	15,00	16.00	High	Low
2750.6	2746.3	2750.1	2752,9	2757.9	2757.7	2759.4	2760.2	2759.0	2761.9	2743.8
			Feb 22	Feb	21	Feb 20	Feb	18 Fe	th 16	Yr ago
SEAQ bo	rg:sms		31.140	30,	449	30,733	31.1	18 3	6.028	22,166
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Equity ba	rgamet			- 36,	006	35,690	37.9	02 4	1,476	29,246
Shares tr	aded (n	nD†		. 6	85.1	597.8	499	9.8	765.9	646.3
Exclusing	Intra-ma	whet bus	mera anni	-						

Rises and falls"		52 Week highs a	nd lows	LIFFE Equity optic	2nd
Total Rises	836	Total Highs	93	Total contracts	38,042
Total Falls	319	Total Lows	19	Calls	22,171
Same	1,638			Puts	15,971

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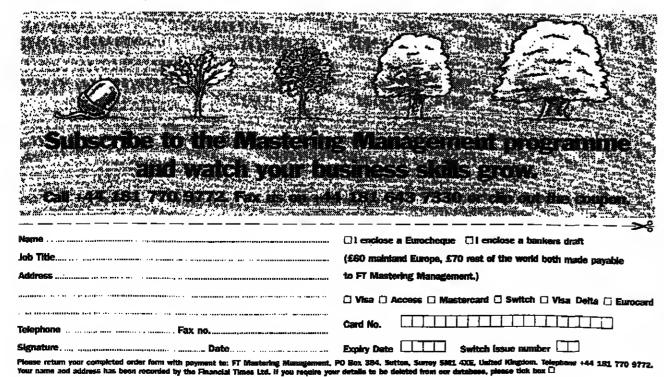
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eased a penny to 276p on volume of 5.7m. The stock is one ward 13 to close at 827p. of eight in which Merrill Lynch yesterday issned American style call warrants, although

Other stocks in which Merrill Lynch was said to bave issned warrants included Grand Metropolitan, 4 ahead at 441p. Scottish & Newcastle. 3 off at 661p, and Whitbread, a penny harder at 716p.

the broker was unable to con-

firm details of the basket.

The market cheered news from Airtours that US cruise ship company Carnival Corporation is to acquire a 29.6 per cent stake in the UK tour operator. Airtours first revealed it was in talks with Carnival in January. Shares in Airtours surged 20 to 450p following the announcement.

An upbeat trading statement from rival First Choice Holidays saw the stock improve 7

Diversified leisure group Rank Organisatinn moved strongly ahead, after 14-month figures from the group came in at the top end of expectations and were backed by a confident statement.

The shares, which fell back on Wednesday in nervous trading ahead of the figures, bounced 15 to 479 ip in trade

Analysts at Kleinwort Benson said they were encouraged by the figures and reiterated their long term "buy" stance on the stock.

British Aerospace moved ahead strongly on talk of a wholesale restructuring for Europe's defence industry.

French plans to realign a number of aircraft and electronics businesses sparked steady buying at BAe, seen as a core element in any shake-up among UK defence manufacturers. The shares, up 19 at one stage, closed 9 better at 852p. GEC appreciated 6% to 374p. Rolls-Royce hardened 212 to 210 p and Vickers finished 514

better at 288p. GKN moved for-

FT - SE Actuaries Share Indices

The latest mortgage rate cut

reversed the recent weak trend at leading housebuilder George Wimpey, hoisting the shares by more than 6 per cent. They comfortably topped the FT-SE Mid 250 performance charts with a rise of 8 to 139p. Taylor Woodrow ended 5½ higher at

Rentokil moved up sharply on news that it had redefined its bid approach to business support services rival BET. Shares in the group, which has scaled down its takeover plans for BET, jumped 6% to 344%n. BET ended a penny better at 196'ap in 14m traded.

Mobile phones group Vodafone continued to make up for its recent dull performance. adding 31; at 231p, in 6.3m traded, for a two-day advance of more than 4 per cent. Hoare Govett reiterated its positive stance on the shares, pointing to strong overseas business and the way the group's churn

Peter John, Joel Kibazo, Jeffrey Brown. rate (subscriber cancellations)

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LON	DON Ami part AP	REC	1905 High		SUES: EQU	Close price P	4/-	Net	Div.	Grs yld	P/E net
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FT GOLD	MINE	es i	NDE	X				
	Feb 21	% eng on day	Feb 20	Yest ago	Gross die yield %	. PVE	52) W 19gh	low.
Gold Miloes todex (33)	2284.32	-1.4	2315.66	1732,29	1,43	_	2520,73	1688.31
m Regional Indices								
Africa (16)	2973.44	-5.6	3148.20	2886 54	2.82	35.29	3553,86	2272.74
Applicates (S)	2579.73	-3.1	2663.21	1873.20	2.37	39.79	2927.34	
North America (12)	2047.20	+1.0	2027.90	1431.70	0.56	61.83	2186,39	1398.96

T - SE ACIDANES	Share II	uices							He i	טא כ	bertes
	Feb 22	Day's chge%	Feb 21	Feb 20	Feb 18	Year ago	Div. ylekt%	Net	P/E ratio	Xd ac	
FY-SE 100	3740.0				3744.3		3.86	2.07	15.55	_	
FT-SE Mid 250	4197.7	+0.4	4182.0	4177.8	4190.0	3401.0	3.50	1.74	20.54		
FT-SE Mid 250 ex inv Trusts	4213.5						3.63	1.79	18.25	25.27	7 1671
FY-SE-A 350	1867.4			1855.5			3.80	2.00	16,40		
FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield	1870.3 1869.1				1868.0		4.68	1.87	14.31		
FT-SE SmallCap	2041.93		2027.5	1858.6	1873.8	1495,4	2.86	2.25	19.42		
FT-SE SmallCap ax Inv Trusts	2020.09	+0.2	2016.39	2019 71	2021 41	1685.30	3.08	1.82 1.91	22.29 18.88		1654 1645
FT-SE-A ALL-SHARE	1842.98	+0.4	1836.15	1832.12	1843.95	1503.71	3.75	1.99	18.74		
FT-SE Actuaries	All-Share										
		Day's				Year	Div.	Net	P/E	Xd ad	L Tota
	Feb 22	chge%	Feb 21	Feb 20	Feb 18	ago	ylekt%	COVER	retio	ytd	Retu
10 MINERAL EXTRACTION(24			3221.45	3220.56	3235.58	2648.17	4.00	1.51	20.67	22.56	1370
12 Extractive Industries(6)	4169.28	+0.5	4167.80	4149.48	4179.79	3432.15	a 79	2.39	13.79		
15 Oil, Integrated(3)	3265.33		3253.18				4.23	1.35	21.83		1415.
18 Oil Exploration & Prod(15)	2217.06		2198.18				2.21	1.46	38.59	0,00	1315
20 GEN INDUSTRIALS(276)	2039.97	+0.8	2024.42	2015.98	2022.51	1805.71	4.06	1.88	18.37	2.06	1096.
21 Building & Construction(34)	1070.85	8.0+	1062.35	1062.79	1060.58	924.20	3.72	2.08	18.14	1.18	883.0
22 Building Matte & Merchs(29) 23 Chemicals(23)	1586.42 2472.41	13.4	1885.75	1887.79	1903.86	1897.04	3.97	2.03	15.50	0.61	936.0
24 Diversified Industriels(21)	1771.18		2439.13 : 1746.98 :				4.04	2.02 1.48	15.30		1151.
25 Electronic & Elect Equip(38)			2323.04				5.57 3.07	1.95	15.15	3.32	970,
26 Engineering(71)	2282.27		2270.24	2266.66	2267.24	1729.95	3.27	2.24	17.09	3.4B	1204, 1368.
27 Engineering, Vehicles(13)	2612.88	+0.S 2	2596,41 2	2591.77	2602.76	2037.24	3.82	1.26	25.32	0.23	1332
28 Paper, Pokg & Printing(28)	2692.83	-0.2	2099.55	2670.70	2673.81	2788.97	3.72	2.53	13.30	0.39	1104.
29 Textiles & Apparel(19)	1481.13	+0.2	1477 <u>.</u> 47 '	1479.31	1480,29	1458.77	4.70	1.75	15.23	0.32	868.
30 CONSUMER GOODS(81)	3626.06	+0.4 3	3612.43	3606.41	3642.73	2828.99	3.81	1.74	18.84	7.79	1318.
32 Alcohotic Beverages(9)	2797.18	+0.8 2	2774.01 2	2774.58	2807.92	2561.79	4.35	1.67	17.23	28.48	999.7
33 Food Producers(23) 34 Household Goods(15)	2532.29		2533.18				4.30	1.70	17.04	4.53	1125
34 Household Goods(15) 36 Health Care(20)	2557.95 1953.68		2558.66 2				3.73	2.15	15.50	1.98	961.1
37 Phermeceuticals(13)	5185.30		1949.69 1				2.62	1.76	26.99	2.06	11743
39 Tobacco(1)	4891.93		5150.10 5 1849.58 4				3.21 4.90	1.69	23.08	0.05	1725.
40 SERVICES(253)	2327.43								13.18	0.00	1183.
41 Distributors(32)	2583.43	10.0 2	315.44 2	537U.0U	2800 -0	1835.34	2.98	2.11	19.92	12.96	1199.
42 Leisure & Hotels(23)	2899.65	+2.3 2	2562.70 2 2635.74 2	350.26	287R 18 1	202.97	3.74 2.86	1.83 2.10	18.25 20.84	0.00	940.2
43 Media(46)	3639.56	+0.7 3	B 14.43 3	3799.97 :	3834.41 2	7726 R4	2.20	2.13		104.50	1542.
44 Retailers, Food(15)	1914.60	+0.3 1	906.81 1	902.79	1925,16 1	774.75	3.82	2.41	13.62	2.85	1200.0
45 Retailers, General(43) 47 Broweries, Pubs & Bost (24)	1922.48	+0.2 1	818.15 1	815,89	935,58 1	508.14	3.08	2.23	18.15	5.57	1086.
47 Breweries, Pubs & Rest.(24) 46 Support Services(49)	2979.31	-0.12	981.71 2	978.46	2983.04	2152.10	3.31	2.09	18,10	15.46	1420.
49 Transport(21)	2075.60 2300.11	+0.72	061.16.2	056.26 2	2060.09 1	439.33	2.31	2.52	21.50	2.39	1907.
60 UTILMES(33)			299,22 2				3.77	1.39	23.87	3.84	945.1
62 Electricity(12)	2465.94 2774.18	+0.2 2	461.70 2	440,98 2	452.85 2	356.65	5.06	2.07		27.33	1043.
94 Gas Distribution(2)	1577.30	_141	754.56 2 600.31 1	600 46 4	276U.66 2	447.46	5.01	2.60		105.57	
66 Telecommunications(7)	2033.73	+0.3 2	028,46 1	997.73 2	000,/8 1	002 77	7.60 4.15	1.37	11.89	0.00	791.3
68 Water(12)	2095.57	+0.2 2	092.28 2	095.64 2	109.37 1	740.03	5.62	1.77 2.60	17.02 8.27	0.00	920,5
69 NON-FINANCIALS(867)	1945.48		936.04 1							3.61	1136.4
70 FINANCIALS(198)	2949.21		954.32 2				3.82	1.89	17.31	9.14	1457.5
71 Banks, Retail(8)	4174.05	-0.64	198.50 4	212 40 4	244.77 °	140.81	3.77	2.56	12.95	0.68	1245.6
72 Banks, Merchant(5)	3505.75	+0.4 3	491.28 3	496.45	546.51 3	061.Rt	3.43 2.66	2.97 2.41	12.28	0.00	1338.0
73 Insurance(24)	1439.25	+0.7 1	428.B7 1	412.63 1	417.3R 1	108 01	5.32	2.92	19.53	0.00	1099.0
74 Life Assurance(S)	3553.89	+0.53	535.79 3	534.86 3	1544 R2 2	770 60	3.93	1.53	20.80	0.00	1055.1
77 Other Financial(23) 76 Property(41)	2543.96	2	543.95 2	547.21 2	553 RO 1	R41 68	3.55	1.90	18.52	1.08	1447.8
	1451.92	+0.3 1	<u>447,78 1</u> -	445.B5 1	<u>454,15 1</u>	376.45	4.30	1.31	22.24	2.64	882.1
80 INVESTMENT TRUSTS(127)			116.35 3				215	1.04	55.78	6.43	1086.5
89 FT-SE-A ALL-SHARE(902)	1842.98	+0.4 1	836.15 1	<u>832.12 1</u>	843.95 1	503.71	3.75	1.99	16.74	7.02	
T-SE-A Fledgling	1147.96	+0.2 1	146.09 1	147.89 1	148.97	971.20	2.94	2.22			1537.0
T-SE-A Pledgling ex inv Trusts	1147.83	+0.1 1	146.23 1	147.18 1	146.20	970.87	3.22	2.39	18.13 16.22	2.79 2.94	1188.8
Hourty movements							_		.022	4.84	1197.8
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	651.8 1863.2					194.1 1866.8	4195.7	4197.2		7.7	4197,8
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23¹/₂₃ 12¹/₄ EP Inc 23¹/₃ 18¹/₄ F Tan 10¹/₃ 9 SET Prophy x 5 27¹/₄ ICF Ra 31¹/₄ 23¹/₂ 16000 44¹/₄ 27¹/₄ ICE Corp 32 23¹/₄ 16000 48 33 EP AAPP A 23¹/₄ 21¹/₄ 11¹/₄ EP AAPP A 49¹/₄ 21¹/₄ EP APP A 30 23¹/₂ ICC A 20¹/₄ 21¹/₄ IN APP A 20¹/₄ 21

小孩子是我的人 化水水水干水水水 经人名英格兰人名

经经营投收 经婚好的

S2⁵s 27⁷s J River PF S3 39³s J River L 13⁷s 7⁴s Jacquet Se 22⁸s 17⁴s Jacquet Se 10³s 7⁴s Jacquet Se 10³s 7⁴s Jacquet Se 10³s 7⁴s Jacquet Se 55⁷s 33.67 Jacquet Se 75³s 45⁴s Jacquet Se 10³s 53⁴s Jacquet Se 12 7²s Johandon 25¹s 17³s Josepson in 4

- 4 古古山南北南北南北南南 一年十十十年十十十年十十十年 1.2.1.4.4.4.1.4.4. Parish A 18 12 12

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人名英格兰人姓氏克克克的变体 人名英格兰人姓氏克克克的变体 医多种性病病 医二种种种种 医

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FINANCIAL TIMES FRIDAY FEBRUARY 23 1996 * NYSE COMPOSITE PRICES | The color | Sect | Se Div % R 100s - V -- W -

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Financial Times. World Business Newspaper.

US markets make strong midday gain

Wall Street

Fears that the equity market was undergoing a slow correc-tion were ameliorated yesterday as US shares made strong gains for the second consecutive session, writes Lisa Bransten in New York.

For a second time in as many days the Dow Jones Industrial Average advanced by more than 50 points in morning trading, thereby triggering collars that restrict

computerised buying.
At 1 pm the Dow was 40.10 stronger at 5,556.07, the Standard & Poor's 500 rose 5.48 to 653.58 and the American Stock Exchange composite was 3.76 higher at 568.86. NYSE volume Boods, which bad led shares

NYSE volume



Average daily volume 1995 345,135,000 8 6 12 13 14 15 16 20 21 22

sharply lower on Tuesday, offered more support to equitles as they posted modest gains after the Labor Department reported a rise in the number of first time applicants for unemployment benefits.

The Nasdag composite was on track to close above the 1,100-point barrier for the first time because of strength in both the computer driven technology companies and biotech groups, in early afternooo trading the Nasdaq was ahead 14.24 at 1.111.09.

internet-related companies in the American Stock Exchange internet index added 2.9 per ter decline from profit to loss,

nents such as Sun Microsystems, up \$2% to \$51, and Netscape, \$1% stronger at \$65%. Netscape completed a stock

cent amid gains hy compo-

split earlier this month. Semiconductor companies and computer makers were also stronger

intel added \$11/2 at \$60%.

Micron Technology was up \$1 at \$381/4 and Texas Instruments climbed \$2% to \$53%. On the computer side, Dell Computers rose \$% to \$36%.

IBM jumped \$\$4% to \$124% and

Hewlett-Packard advanced \$21/4 Biotech companies received a boost from news that a US Food and Drug Administration panel had set a date to consider the approval of Seprafilm from Genzyme. Genzyme shares added \$4% or 6 per cent at \$75, and Chiron moved up

\$2¼ to \$111½. Vertex Pharmaceuticals appreciated \$14 or 6 per cent to \$28 after announcing that its fourth-quarter loss was less than most analysts had expected. The company reported a cents a share less than the analytical consensus.

American International Group rose \$1% or 2 per cent to pany posted fourth-quarter operating earnings of \$1.40 per share, 5 cents a share ahead of the mean analysts' forecast.

Toronto was in delicate balance at noon, falling golds countered by the rally in New York. The TSE 300 composite index was standing just 1.90 higher at 4,963.03, with the gold shares index down 92.39 at 12,425.13.

Midsession volume inched up from 38,47m shares to 39.32m. Among early actives, Petrostar Petroleums rose 4 cents to C\$1.38 and Strike Energy by 15 cents to C\$3, but Memotec Communications dropped CS21's to CS83's in moderate trading on a fourth quar-

early afternoon and the Merval

index was 0.96 softer at 522.52.

Traders said the market had

not reacted to a senate vote on

Wednesday night which gave

ers to streamline the public

the three-day Carnival holiday

By midsession the Bovespa

index was standing 90.61 points

with little enthusiasm.

SAO PAULO returned from

Mexico in slight rise

The gain on Wall Street slight correction during the provided the impetus for a rise in MEXICO CITY, and hy mid-session the IPC index was ahead 21.88 at 2,929.71.

Analysts said that, nevertheless, the market remained wor- President Carlos Menem powried by the forthcoming corporate results commences on March 5: while economists did not expect domestic interest rates to decline much further in the

BUENOS AIRES suffered a higher at 51,830.

South Africa finds strength

Equities reversed Wednesday's sbarp losses as investors turned positive once again and the rand found stability against the dollar in the currency markets. On Wednesday the rand slipped below the R4 level for the first time against the US currency.

Gold shares were lifted by a stronger bullion price and industrials rose on follow-through buying after Wall Street's bnoyant showing over-

Although there was still ner-

the rand and bond markets, domestic investors were seen returning yesterday in greater

numbers. The overall index made 104.3 to 6.753.6. industrials rose 74.1 to 8,386.8 and the golds index climbed 77.6 to

Among individual features, De Beers advanced R5.25 to R124.25, Anglos R11 to R263 and Vaal Reefs R16 to R386.

Elsewbere, Dries moved forward R3.25 to R58, Freegold added R2.50 at R37.50 and Kloof pnt on R2.25 at R52.75.

Stockholm up 2.2%, contrasts in pharma stocks

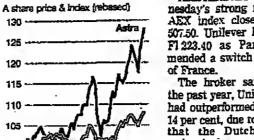
The Riksbank's decision to cut key repo, deposit and lending rates gave STOCKHOLM a domestic lift, but the banking index only rose by 1.2 per cent as the Affarsvärlden General climbed 38.8 or 2.15 per cent to

Turnover was described as huge, at SKr6.5hn; Astra A climbed SKr1L50 to SKr307.50 for a two-day gain of 8.5 per cent on good results and a planned US listing, but its fellow drugs company Pharmacia & Upjohn receded SKr4 to SKr287.50 on results slightly below market expectations.

Meanwhile, a 17 per cent drop in profits at Hennes & Mauritz, the retailer, left the shares SKr56 or 13.9 per cent higher at SKr458. Expectations had been much worse. FRANKFURT saw the resur-

gent US equity market more than outweigh uninspiring performances by bunds and the dollar, and celebrated with the Dax index up 20.34 at an Ibisindicated 2,421.93. Imminent German M3 fig-

ures kept turnover relatively quiet, down from DM8bn to DM7.6bn. However, there was more action on fundamentals. Siemens sustained its profits growth forecast of 20 to 25 per cent this year. no small thing after the depreciation of customer currencies; it also revealed that orders were up 5 per cent to DM509.



Affärsväriden

per cent after five months following a flat position at the end of the first quarter. The shares, weakened by for

Nov 1995

eign selling ahead of the dividend payment, went ex the dividend and rose a net DM15.50 or nearly 2 per cent to DM818. In contrast, on-target Mannesmann results indicated a drop in fourth-quarter earnings intake; Mannesmann shed DM2.35 to DM500.50.

The serious fall of the day was in Deutsche Babcock, off DM13.50 or 12.1 per cent at DM98 after a low of DM90, on foreign selling after last week's disastrous analysts' meeting. The big gain, once more, was in Puma, where the prefs, due to be converted into ordinary.

AMSTERDAM built on Wed-

nesday's strong rally and the AEX index closed 3.56 up at 507.50. Unilever lost FI 1.70 to F1 223.40 as Parihas recommended a switch into Danone.

The hroker said that, over the past year, Unilever's shares had outperformed Danone's by 14 per cent, due to expectations that the Dutch company's restructuring measures would start to pay off in the near future.

However, Paribas suggested that Danone's more aggressive restructuring plans in its European operations would build market share and lead to greater overall business growth: "We believe this latter benefit from the restructuring plans is not yet reflected in the share valuation."

Nedlloyd, the shipping and transport group, moved ahead FI 1.90 to FI 36.70 in speculative buying, after reports that it was a takeover target. Most dealers dismissed the report as a story that recurred at

DSM stayed in demano after Wednesday's annonncement that the state was to convert its 20 per cent stake into preference shares. The chemical company appreciated Fi 3.40 to finish at F! 155.40.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Open :030 11.03 12.00 13.00 14.00 15.00 Close FT-SE European 100 1533-33 1553-56 1535-77 1536-96 1535-28 1535-72 1537-14 1536-96 FT-SE European 700 1641 ED 1638-90 1645-29 1643-13 1644-20 1644-20 1645-34 1645-12

> 1570.94 1623 43 1521.59 1630.65 FT-5E Euroback (C) FT-5E Euroback (20) 1639.28 Fokker sank 95 cents or 35 as the company said that Mr per cent to Fl 1.75 after a warning that bankruptcy of the regional aircraft manufacturer

rep 21

now looked inevitable. PARIS enjoyed another lively day, with the CAC-40 index advancing 16.36 to 1,953.26 in turnover of FFr. 4bn.

Defence shares remained in the picture on government plans to shake up the industry. Thomson-CSF put on FFr3.30 at FFr122.40, while Alcatel Alsthom, rumoured to be a possible buyer for Thomson SA. eased FFr2.60 to FFr437, and the Lagardere Groupe, another possible purchaser, made 50 centimes to FFr127.

Dassault Aviation, to be merged with Aerospatiale, rose FFr23 to FFr475.

MILAN was supported by firmness in the currency and bond markets. The Comit index added 5.19 at 594.48, and the Mibtel rose 8 to 9,440. Fiat retreated L96 to L5.030 Giorgio Garuzzo, the chief operating officer, was leaving at the end of the month.

Feb 15

1538.15 1656.88

1537.62 1656.35

Feb 19

1520.51.

Feb 20

Credito Italiano said the news did not come as a surprise: "There appears to be a high degree of continuity in the succession process, and it is clear that Fiat's process of recovery is well under way in Europe and its expansion plans abroad are at an advanced stage." The broker continued that the group's recovery and future direction now looked quite transparent and the management team remained strong. On Tuesday, Fiat announced that Mr Cesare Romiti, the managing director,

COPENHAGEN fielded humper results from Den Danske Bank, which rebounded DKr12 to DKr385, down from a high of DKr393, following weakness on media criticism earlier this

would succeed Mr Glovanni

Agnelli as chairman on Febru-

week. The KFX index figured 1.19 to 110.62.

HELSINKI offered hostages to fortune with Nokia A up another FM7.50 at FM171.50 ahead of next week's progress report. The forestry rector gained 2.8 per cent before the Finnish Finance Ministry fore cast export price falls of about 25 per cent for pulp and short 10 per cent for paper this year. The Hex index gained 10.55 or 2.2 per cent at 1,822 18

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TEL AVIV rose 23 per cent in active trading as Nice Systems, a high-technology telecommunications commu manufacturer, soared 10 per cent following buy recome dations hy twn US based investment houses writes Julian Ozanne in Jerusa

The Mishtanim index put on 4.70 at 208.43 in turnover of Shk100m, after Wednesday's Shk72m. Nice Systems rose Shk3.4 to Shk36.9, which came after its ADRs, traded on the Nasdaq in New York, rose 11 per cent in overnight dealings.

BUDAPEST regained confi-dence as speculation ruse that the new finance minister would be Mr Zsigmond Jersi. seen as a steadying infinence The BUX index rose 35.95 to 2,041.00; turnover climbing to Ft623.2m from Ft277.8m.

Written and edited by William

Nikkei registers longest losing streak since mid-1995

Tokyo

Concerns about a possible rise in long-term interest rates and the continuing weakness of the dollar against the yen depressed share prices for the sixth consecutive trading day, writes Gwen Robinson in

Tokyo. The Nikkei 225 average, registering its longest losing streak since the market began to recover in July 1995, shed 31.29 to 20,340.94 after moving narrowly between 20,310.74 and 20,436,63

Investors were discouraged by the failure of the dollar to rise significantly against the yen by mid-afternoon, in spite of reports of intervention by the Bank of Japan.

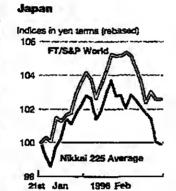
Further worries about a possible rise in long-term interest rates at home and ahroad added to market concern, and kept many participants on the sidelines to watch interest rate movements and currencies. Volume dropped to an esti-

mated 314m shares from Wednesday's 335m. The Topix index of all first section stocks closed 0.25 lower at 1.573.46. nd the capital-weighted Nikkei 300 eased 0.20 to 293.95. Losers led winners by 536 to 458, with 209 issues unchanged. In London the ISE/Nikkei 50

index firmed 0.97 to 1,376.13. Bargain hunting among domestic financial institutions generated moderate buying interest in electrical machinery, shipbuilders and other major issues. However, domestic institutions on the whole remained cautious about buying shares at high levels and

many stayed on the sell side. Foreign investors, meanwhile, continued their retreat from the market. Brokers said foreign institutions were more worried than many domestic investors realised about Japan's immediate economic outlook, particularly concerning the government's bailout plans for troubled bousing Ioan companies.

Technology shares continued mixed. Pioneer rebounded a



1996 Feb

further Y100 to Y2.130 after rising Y40 on Wednesday. The gains recouped Pioneer's Y140 drop on Tuesday, when it announced a revised forecast for a much larger loss than expected for the current business year. Sony dipped Y60 to Y6.280, after rallying briefly on Wednesday following a

Source: FT Extel

two-day slide. Casio Computer fell Y43 to Y997 following its announcement on Wednesday that consolidated net profits in the current year ending March 31 were likely to drop by 90 cent. Speculative stocks fared

well, led by Kanematsu Nissan Norin, a machinery maker and supplier of housing material. which gained Y230 at Y2,800. In Osaka, the OSE average declined 69.93 to 21,778.31 in volume of 81.26m shares.

Roundup

Taiwan, markets on the Chinese mainland, and Karachi, Kuala Lumpur and Jakarta remained on holiday.

HONG KONG returned to encounter both technical selling and profit-taking. The Hang Seng index declined 256.54 or 2.2 per cent to 11,338.45. Turnover fell to HK\$5.3bn from last Friday's HK\$6.1bn, as many dealers

stayed away. Some traders worried that a fall in the opening session of the lunar new year could be

investors, but others observed that profit-taking was very much the order of the day following the marker's 24-month closing high last Friday.

The most active stock was HSBC Holdings. which fell HK\$1.50 or 1.2 per cent to HK\$126.50, while its subsidiary. Hang Seng Bank, lost HKS; or 1.3 per cent at HKST4. Both companies were due to release 1995 results on Monday. The property index gived

539.03 or 2.5 per cent to 2,067.44. Cheung Kong losing HK\$2.25 or 4 per cent to HK\$34.75 and Sun Hung Kai Properties off HKS1 or 1.4 per cent at HKS72.

The Hang Seng China Enter-prises Index, which tracks Chi-

interpreted bearishly by some nese H shares, slipped 10.25 or 1.1 per cent to 933.91. BOMBAY came back to widespread foreign funds buying,

and the BSE 30 index finished 45.68 or 1.3 per cent higher at 3.500.48. Analysts said fund managers were buying cheap blue chips in emerging markets to bal-

ance the risk in their highly priced US stocks, and that the near 15 per cent depreciation of the rupee since last Angust had also made Indian stocks more attractive in dollar terms. However, the main corporate features were losers, Philips India shares falling RsS to Rs152 on a 46 per cent drop in net profits, partly due to the

depreciating rupee. SYDNEY was pulled higher

brought the All Ordinaries mdex up 15.9 to 2,254.1, while support was also seen from an improvement in base metal prices. Volume was 258,6m shares worth AS574.9m.

Among the banks, Westpac rose 17 cents to A\$6.01, ANZ 12 cents to AS6.25 and National Australia Bank 4 cents to A\$12.14. St George, bowever, dropped 37 cents to A\$8.32 following recent sharp gains as NAB, which confirmed that it had acquired a 5.6 per cent strategic stake, ruled out making a full takeover bid for the New South Wales-based regional in the sbort term.

SEOUL backtracked, with interest from overseas investors directed at second-line

on bargain hunting which stocks. The weighted index los-1.63 to 881.60 and volume was light at 23m shares. Samsung Electronics rose Won2,000 to Won140,000 on a

31-for-100 scrip issue. BANGKOK was upset by rumours that some foreign investors were starting to higuidate positions. The SET. index finished down 17.96 or 13 per cent at 1,361.42 in turnover. of Bt6.3hn, compared to Wednesday's Bt3.3bn.

The banking index tumbled 1.6 per cent, with Krung Thei

Bank off Bt4 at Bt125. SINGAPORE found it difficult to attract investors, particularly in the absence of Kuala Lumpur, still on holiday. The Straits Times Industrial index edged up 0.93 to 2.454.81.

VIEWPOINT

Commerzbank's focus on German and European economic issues

drawbacks as a production location. Its energy prices and labour costs, especially nonwage costs, its high taxes and strict environmental regulations all make prodoction more expensive than in other countries, while bureaucratic impediments delay firms' investment plans. At the same time, the scope for innovation and expansion is limited by political constraints on the development of some new products and technologies.

For one thing, users in Germany, such as the textile and ... chemical fibre industries, have ::shifted production abroad, thus narrowing the domestic customer base of the German chemi-'-cal industry. For another, imin the newly industrializing countries. This process will continne in the years ahead, with the Chinese and the Asia-Pacific

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Bigg.

structure of demand for chemi-

cals has changed considerably.

Sales from foreign production

German chemical firms maintain their global position

Garmany's chemical industry appears in two very different lights. On the one hand, firms are suffering domestically as a result of high costs and taxes, obstacles to the implementation of new technologies and long drawn-out product approval procedures. On the other, the country's three major chemical companies, Hoechst, BASF and Bayer, were the top three producers worldwide in 1994 in terms of sales. And they would not have achieved this position had they not responded to structural changes both at home and abroad in recent years by substantially increasing their foreign production.

Almaty, Amsterdam, Antwerp, Atlanta, Bangkok Barcelona, Bratislava, Beliner Beirut, Bombay, Brussels, Budapest, Buenos Aires, Cairo, Caracas, Cricago, Copenhagen Dublin Geneva Gibralton Grand Caymen, Hong Kong, Istenbul Jakarta Johannes burg, Kiev, Loodon, Los Angeles, Luxenbeurg, Madrid, Manama, Mexico City, Milan. Minsk, Mescuw, New York, Novosibirak Osaka, Paris Prague, Kio de Janeiro, São Pania, Secul, Shanghai Singapore, St. Petersburg, Sydney, Tehran, Tokyo,

OVER THE PAST ten years, Germany's chemical iodustry has not matched the predoctivity growth of its competitors. Output in western Germany expanded on sverage by only 1.7% a year between 1985 and 1995, compared with 3.2% for all industrial countries.

To some extent, Germany's lower rates reflect the country's

in relation to sales from domestic production

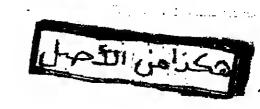
YET, despite their problems at bome, German chemical companies have maintained their position in the world market. Foreign capital investment accounts for an increasing proportion of their overall capital spending. Indeed, without the boost provided by projects in eastern Germany, domestic investment would have declined even more over the past five years. As a consequence, an ever larger share of the sales of German chemical firms is generated abroad.

THERE ARE various reasons for this development. Apart from the general suitability of a given location, the emergence of new markets is a crucial factor in the planning of investments. Being close to customers cuts transport costs and reduces vulnerability to currency fluctuations. During recent years, the markets achieving the strongest growth rates. By contrast, certain segments of the market are showing signs of saturation in the mature industrial econ-

IN THE FUTURE as well, German chemical firms will thus tend to move production abroad as the markets they serve become ever more global. And while increases in domestic output will be limited. German chemical companies expanding overseas operations should enable them to defend their strong international position.

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COMMERZBANK SIZ German know-how in global finance





Figures in parentheses U.	s (Day's	Pound			Local	Local	Gross	us	Pound		11 20 100	Locai			Year
show number of lines Dol		hunge	Sterling	Yen	DM	Currency	% cha	Div.	Dollar	Sterling	Yen	DM		52 week !	50 wasir	900
of stock ind	ex	%	Index	Index	Index	Index	on day	Yield	Index	Index	Index	Index	Index	High	LOW	(srisbook)
Australia (81)	2.33	-1.0	184.63	127.83	145.11	170.44	-0.4	3.92	194.27	185.49	130.90	148.76	171.08	200.32	158.79	160.25
Austria (26)	5.17	0.7	177.7B	123.08	139.71	139.58	0.6	1.55	183.82	176,47	123.30	138.89	138.75	199.28	168.11	
Belgium (34)	5.55	0.7	197.32	136.62	155.09	151.36	0.5	3.48	204.03	195.86	136.85	154.18	150.44	215.81	172.73	
Brezil (26)161	1.76	0.2	155.29	107.52	122.05	292.54	0.0	1.58	161.47	155.00	108.30	122.00	292.54	170.25	86.05	
Caneda (101)153	3.95	-0.2	147.79	102.33	116.18	153.94	-0.2	2.44	154.28	148.11	103,48	116.57	154.20	158.71	125.64	
Denmark (33)295		1.1	287.03	188.73	225,60		0,9	1.55	295.69	283,86	198.33	223.AT	226,16	304,68	252.41	
Finland (24)161		1.6	174.38	120.74	137.08	171,93	0.9	1.88	178.84	171.68	119.95	135.12	170.42	276.11	171.13	182.11
France (96)184	1.59	0.2	177.20	122.69	139.26	144.83	0.1	3.15	184.14	176.76	123.51	139,12	144.85	191.17	161.53	163,78
Germany (60)166		0.3	182.99	112.85	128.10	128.10	Q,1	1.88	169,32	162.54	11257	127,93	127,93	171.60	142.25	
Hong Kong (58)		-0.0	433,11	299.88	340.42	447.97	0.0	3.16	451.18	433.13	302.63	340.90	447,96	451.19	321,37	327.86
ireland (16)254		-1.1	244,17	169.06	191.91	225.35	-1.1	3.51	257.20	246.90	172.51	194.33	227.85	282.70	205,44	213.66
Haly (59)	3.18	1.7	70.25	48.64	65.22	65.96	9.0	1.74	71.87	69.09	48.28	54.38	85.27	82.71	65.45	
Japan (482)150		-0.2	144.84	100.28	113.84	100.28	-1.1	0.76	151.22	145.17	101,43	114,25	101,43	164.82	135.95	144,42
Malaysia (107)525	5.72	-0.1	504.68	349.43	396.66	516.67	0.0	1.62	526.30	505.23	353.01	397.64	S18.67	561.96	425.77	486.01
Mexico (18)1116	1.24	1.0	1071.56	741.93	842.22		0.5	1.S1	1104.99	1080.76	741.15	834.68	9154.68	1237.14	647.81	947.35
Netherland (19)276	1.35	0.7	287.21	185.01	210.02		0.6	3.24	276.52	285.45	185.47	208.92	205,41	283.25	225.09	
New Zealand (14)79		-0.6	75.94	62.58	59.69	82.11	-0.3	4.67	78.54	76,36	53.35	60.10	62.32	85.49	72.38	73.20
Norway (33)236		1.7	229.31	158.77	180.23	205.85	1,6	2.23	234.84	225.44	157.51	177.48	202.71	243.79	202.76	209.10
Singapore (44)458		0.0	440.30	304.88	346.00	296.33	0.0	1.38	458.62	440.48	307.75	346.68	296.33	465.21	342.37	34B.40
South Africa (45)	.65	-3.S	361.57	250.34	284.16	326.41	-1.2	3.66	390.25	374.63	251.75	294.85	380.31	437.78	303.31	305,89
Spain (37)174	.04	1.8	167.07	115.68	131.31	1S1.27	1.6	3.72	171,02	184.17	114.71	129.21	155.81	174,04	124.10	132.50
Sweden (47)321	.45	2.7	308.59	213.66	242.54	322.40	1.5	2.18	313.05	300.52	209.97	236.53	317.50	324,31	232.23	245.08
Switzerland (39)226		-0.1	217.60	150.66	171.03	166.46	0.0	1.61	226.93	217.84	152.21	171.48	188.53	239.55	171.18	171.16
Thelland (46)188	.57	0.0	181.02	125.34	142.28	184.54	0.0	2.03	188.56	161.01	128,47	142.47	184.49	193,95	130.15	148.88
United Kingdom (205)232		0.3	222,99	154,40	175.27	222.99	0.3	4.04	231.68	222.39	155,38	175,03	222.39	235.50	182.74	193.92
USA (631)264	.41	1.1	253.83	175.74	199.50	264.41	1.1	2.16	261,48	250.99	175.37	197.54	261.48	269.11	197.20	197.55
Americas (778)241	.13	1.1	231.48	160.27	161.94	202.75	1.1	2.16	238.58	229.01	180.01	180.25	200.60	245.54	180,00	181.01
Europe (730)203		0.5	195.11	135.09	153.35	174.09	0.4	3.02	202.19	194.00	135.61	152.78	173.43	204.70	169.63	171.38
Nordic (137)282		2.1	270.95	187,60	212.96	244.08	1.4	2.04	276.30	265.24	185.32	208.76	240.84	295.02	222.22	232.84
Pacific Basin (833)164		-0.2	157.91	109,34	124.11	112.56	-0.9	1.17	164.90	158.29	110,60	124.59	113.61	171.87	145.85	152.58
Euro-Pacific (1563)180		0.1	173.31	120.00	138.22	135.92	-0.3	2.04	180.33	173.11	120.95	136.25	138.35	183.39	156.37	160.31
North America (732)257		1.1	247.28	171.21	194.36	257.02	1.1	2.19	254.83	244.83	170.82	192.54	254.25	262.26	192.77	193.26
Europe Ex. UK (525)183		0.7	175.69	121.64	138.08	147.00	0.4	2.45	181.80	174.52	121.94	137.36	146.35	184.61	152 92	155.18
Pecific Ex. Japan (351)		-0.3	278.25	192.65	218.69	254.56	-0.1		290.72	279.08	194,99	216.65	254.83	292.69	229.25	232.53
World Ex. US (1755)181		0.0						2.88				137.25	140.58	184,71	156.72	160.52
World Ex. UK (2181)204.			174.50	120.82	137.15	140.13	-0.3	2.08	191.70	174.43	121.87		170.68		166.82	189.47
		0.5	196.65	136.18	154.56	171.20	0.3	1.93	203.76	195.62	138.68	153.96		207.84		
World Ex. Japan (1904)238	.46	0.7	228.92	158.50	179.62	224.16	0.7	2.53	236.75	227.27	158.79	178.87	222.55	240.96	167.55	187.76
The World Index (2386)207.	29	0.5	196.99	137.78	156.40	175.90	0.3	2.12	206.25	197.99	138.34	155.53	175.38	209.68	169.20	171.63

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